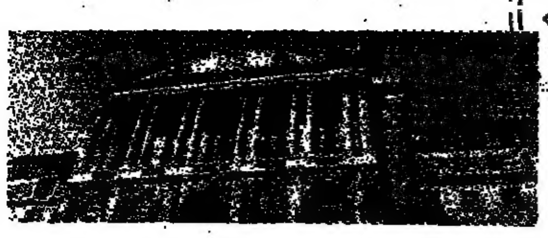

City regulation

Time for a redesign

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Future of ERM rests with France

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Section III

FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY NOVEMBER 26 1992 | D8523A

SmithKline and Glaxo in row over drug patent

UK drug companies Glaxo and SmithKline Beecham are in dispute over a drug used for cancer treatment. *SmithKline Beecham said it had been granted* a European patent for use of the drug, Zofran, which is already marketed by Glaxo. Last financial year, Zofran generated sales of £259m ($391m). SmithKline Beecham is unlikely to call for the product's withdrawal, but will be looking for royalty payments. Glaxo said it would appeal. Page 15; Lex, Page 14

Jeweller Gerald Ratner stands down

UK jeweller Gerald Ratner, who became famous for applying the description "crap" to one of his products, has quit the ailing retail group which bears his name. He is thought to have felt under pressure from the group's bankers and shareholders to resign. In August, the company, which owns US jewellers Sterling and Kays, reported a pre-tax loss of £122.8m for the year to February 1, compared with a profit of £112.1m the previous year.

Tough terms for coal aid: Europe's coal mines will have to bring production costs in line with the EC average or lose their right to state aid, the European Commission said. Page 14

Fisons sells businesses: Troubled UK healthcare group Fisons sold its US and Canadian consumer health businesses for $140m to Ciba-Geigy Corporation, US subsidiary of the Swiss chemicals group. Page 15

Two-speed Europe nearer: The arrival of a two-speed or a multi-speed Europe has been *hastened by the recent volatility in the European* exchange rate mechanism, according to senior monetary officials in several continental centres. Page 14

Japanese brokers downgraded: Senior ratings of Japan's big four brokers were downgraded by US ratings agency Moody's Investors Service, which suggested their already weak earnings will come under further pressure from planned financial deregulation. Page 17

Services face market test: UK public *services minister William Waldegrave said* some £1.5bn of government services would be tested against the market in the coming year. Page 6: Editorial Comment, Page 12

Britain's dirty water: The European Court of Justice has ruled that Britain's water is not clean enough to meet Community standards on purity. Page 6; Lex, Page 14; Mid Kent feels the pinch, Page 20

Mitterrand in Israel: French president François Mitterrand arrived in Israel for a 48-hour state visit dedicated to improving economic relations and discussing the economic development of a peaceful Middle East. Israel to lift ban on PLO contacts, Page 4

Miners killed: At least 13 miners were killed *in a methane gas explosion at a coal mine* in the southern Russian region of Stavropol.

Yacht auction flops: Christina, the 325-foot yacht which belonged to the late shipping tycoon Aristotle Onassis, was put up for auction by the Greek government, which has owned it since 1978, with a guide price of $4.2m. It attracted no bidders.

Treaty tightened: The 93 nations which *support* the Montreal Protocol to protect the atmosphere's ozone layer, voted to bring forward the phase-out *of chlorofluorocarbons by four years to 1996.* Page 4

Tate & Lyle profits down: UK sugar and sweeteners group Tate & Lyle reported a fall in pre-tax profits to £189.5m ($289m) from £230.8m for the year to end-September, with poor weather in the US blamed for much of the fall. Page 15; Lex, Page 14; Details, Page 20

New route for Ukrainian airline: Air Ukraine International, formed from the Ukrainian branch of the former Soviet airline Aeroflot, launched the first regular direct flight from Kiev to London, using a leased Boeing 737 aircraft.

Lighting up time: Italian customs officers are to release stocks of foreign-made cigarettes to the country's 13m desperate smokers, who have been forced to go without because of a three-week-old strike at Italy's monopoly manufacturer.

STOCK MARKET INDICES

FT-SE 100:	2,709.8	(-17.5)
Yield	4.46	
FT-SE Eurotrack 100	1,042.55	(+3.72)
FT-A All-Share	1,285.38	(-0.5%)
Nikkei	17,392.81	(+205.92)
New York lunchtime		
Dow Jones Ind Ave	3,266.42	(+19.72)
S&P Composite	429.61	(+1.42)

US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.291%
Long Bond	101 1/32
Yield	7.532%

LONDON MONEY

3-mo Interbank	7¼%	(7¼%)
Liffe long gilt future:	Dec 100 5/32	(Dec 100 2/32)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$19.125	(19.075)

Gold

New York Comex (Nov)	$333.5	(334.3)
London	$333.85	(334.65)

STERLING

New York lunchtime:		
$	1.5235	
London:		
$	1.5245	(1.5185)
DM	2.43	(same)
FFr	8.2325	(8.2875)
SFr	2.18	(same)
Y	188	(188.5)
£ Index	79.7	(same)

DOLLAR

New York lunchtime:		
DM	1.591	
FFr	5.3925	
SFr	1.429	
Y	123.515	
London:		
DM	1.594	(1.601)
FFr	5.4	(5.445)
SFr	1.4385	(1.436)
Y	123.9	(124.1)
$ Index	65.4	(65.9)

Tokyo close Y 123.8

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

Parliamentary debate puts Paris on collision course with EC partners

France ready to veto farm deal

By David Buchan in Paris

MR Pierre Bérégovoy, the French prime minister, told his parliament last night that Paris would use its veto "at every stage" to block the draft farm deal with the US, which it judges unacceptably damaging to French farmers.

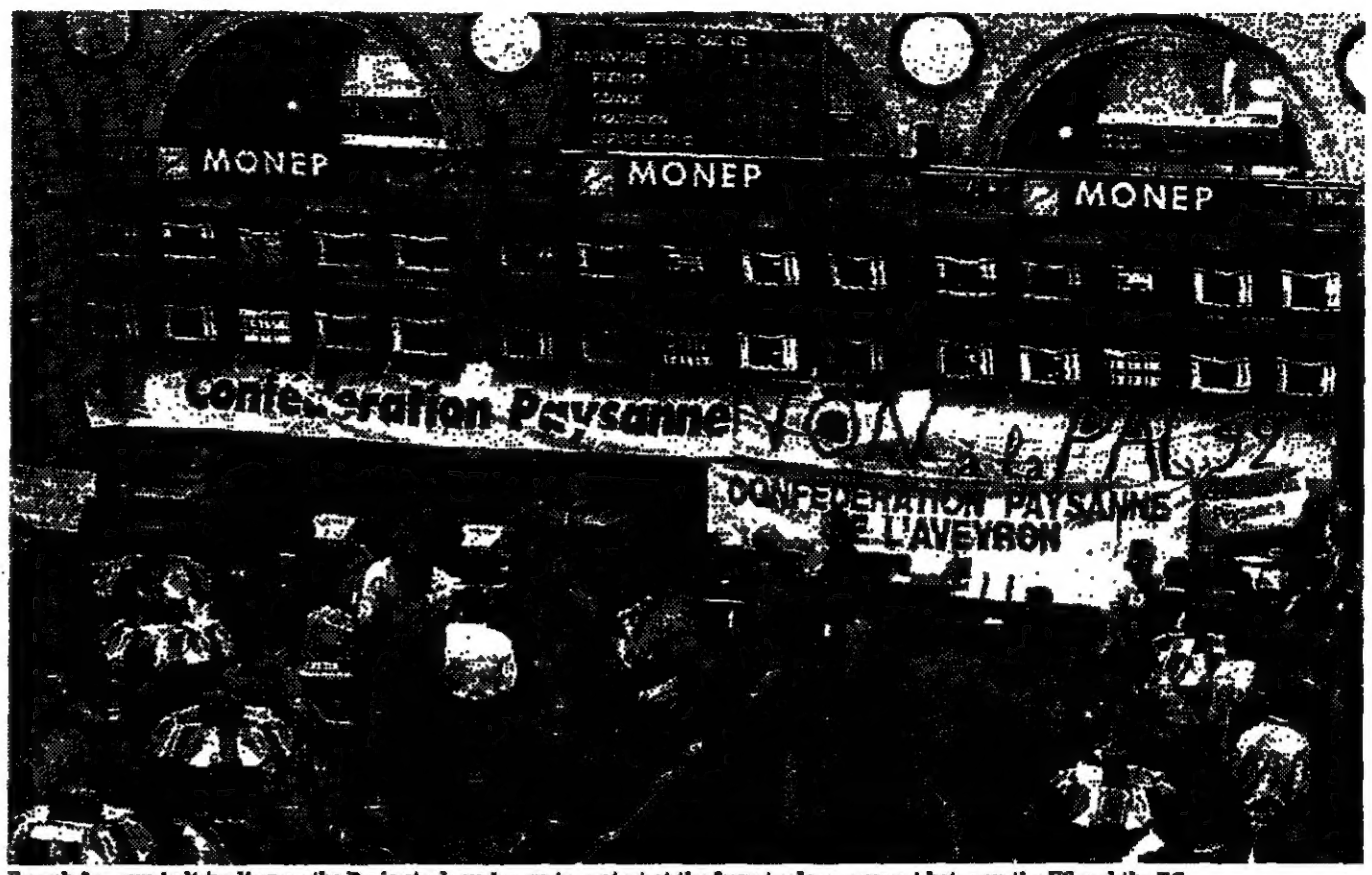
This appeared to set France on a collision course with those of its European Community partners which hope the long-sought transatlantic farm accord will pave the way for a new world trade agreement.

Mr Bérégovoy seemed to accept the inevitability of this, when he told deputies that "Europe has advanced through succesive crises. If there has to be a crisis over this, there will be a crisis". Leaders of the French farm unions, whose members demonstrated around the National Assembly yesterday, congratulated the government on its "firmness" in the negotiations.

The chief element in the farm deal between the US and EC which has drawn French anger is the proposed 21 per cent cut in subsidised EC farm exports over the next six years. Although France has expressed its bitter opposition to the deal throughout the recent negotiations, it appeared to have hardened its position yesterday in the face of parliamentary and popular pressure.

A French veto could provoke a crisis with Paris's partners, particularly Germany. Chancellor Helmut Kohl yesterday said he hoped France would accept the deal but also asked for understanding of "our French friends' problems."

The prime minister had earlier sought to leave himself, and President François Mitterrand, who left Paris yesterday for a Middle East trip, some leeway on a possible French veto.



French farmers halt trading on the Paris stock exchange to protest at the farm trade agreement between the US and the EC

But after being pushed hard by opposition deputies in a debate marked by its anti-Americanism, Mr Bérégovoy said France would use "its veto at all stages of the procedure, from the moment that it is presented with a legal text" enshrining the draft deal in the General Agreement on Tariffs and Trade.

Mr Bérégovoy said the draft farm accord, which the European Commission last night pronounced as compatible with the Community's own recent farm reforms, had "no legal significance".

But the main centre-right opposition parties said they would vote later last night against the government's confidence motion, though its passage was assured by Communist backing for the Socialist government. Mr Alain Juppé, secretary general of the RPR gaullists, complained that Mr Bérégovoy had refused to demand an immediate re-opening of farm negotiations with Washington.

The prime minister explained that the government sought the confidence vote "to be able to tell our European and American partners that they cannot expect from any change of government [in France] a softening in French policy". That message was, in fact, clear from the debate, but the opposition parties did not want to appear to endorse the government with parliamentary elections only four months away.

In Brussels the European Commission last night agreed that the EC-US compromise on farm subsidies in the Gatt world trade talks was compatible with reform of the CAP.

Mr Jacques Delors, the European Commission president who clashed with Mr Ray MacSharry, the EC's Gatt negotiator, in the run-up to last week's breakthrough, rallied commissioners behind the MacSharry paper.

Outrage unites political parties; Negotiators set sights on February Gatt deal, Page 3

US grew by 3.9% in third quarter

By George Graham in Washington

MR BILL CLINTON may change his plans for an immediate growth package as a result of yesterday's revised growth figures, which show that the US economy expanded by 3.9 per cent in the third quarter.

The revision upwards from 2.7 per cent, announced by the Commerce Department yesterday, makes it the strongest quarter of Mr Bush's presidency. The economy last reached this growth rate in the final three months of Mr Ronald Reagan's administration.

Mr Clinton said the data would not alter his long-term plans for the economy, but "could have some impact on short-term judgment".

Mr Bush has spent much of the past year insisting that the economy really had emerged from recession. His fellow Republicans, and several economists, believe that his successor will inherit a strong recovery of Mr Bush's making.

But Mr Clinton may now be trapped by the expectation that he will announce a package totalling $20bn-$50bn as soon as he takes office on January 20.

If the economy is already growing strongly under its own steam, stimulus may no longer be needed and could prove counterproductive by worrying financial markets about the prospect of bigger deficits and higher inflation.

When the Commerce Department initially estimated GDP growth at 2.7 per cent just a week before the presidential election, some suggested the number had been inflated to benefit Mr Bush. Mrs Barbara Hackman Franklin, the commerce secretary, said yesterday's upward revision "should serve as a vindication of the integrity of both the process and the professionals involved".

Commerce Department economists said estimates of exports, business inventories and personal consumption were all revised upwards.

The GDP data have been reinforced by other economic statistics showing a recovery, including higher orders for durable goods, more home sales and stronger consumer confidence.

Clinton's adviser, Page 5

Kohl defends foreigners' role in Germany

By Quentin Peel in Bonn and Judy Dempsey in Berlin

MR HELMUT KOHL, chancellor of Germany, yesterday strongly defended the 6m foreigners living in the country, and said that rightwing extremists were threatening democracy.

His warning came as the head of Germany's internal security service called for an immediate ban on extreme rightwing organisations and the confiscation of their property.

Mr Kohl was speaking in the parliament three days after neo-Nazis killed a Turkish mother and her two daughters in Mölln, near Hamburg. He said: "Whoever falls in with this [wave of] xenophobia should consider that without these foreigners, the affluence of this country would not have been possible at all."

He added that foreigners living in Germany had originally been invited by the government to help rebuild the economy which has been destroyed after the defeat of Nazi Germany. "They had contributed 9 per cent, or more than DM 230bn, to the gross national product of the reunified country in 1991", he said.

"We must not forget that we asked many of them to come here . . . and it's also true that many of these foreigners are still in [menial] jobs that we Germans did not want to take," he added.

However, in an attempt to avoid alienating the right wing, Mr Kohl said leftwing extremists were also undermining the country's democracy. Interior ministry officials have repeatedly said radical rightwingers were responsible for most of the violence and attacks against foreigners.

In a violent incident yesterday, a gang of neo-Nazi youths attacked prefabricated homes for foreign asylum-seekers in the south-western town of Weisenheim am Sand, smashing the windows but causing no injuries.

In the city of Kiel, a 16-year-old was charged with arson and attempted murder for allegedly throwing two Molotov cocktails at a house where foreigners were thought to live.

Mr Eckart Werthebach, president of the federal office for the protection of the constitution, warned of the danger that skinhead gangs might become a "military arm" of neo-Nazi organisations if they were not outlawed.

Mr Werthebach said neo-Nazi groups had only a few hundred members, whereas there were an estimated 4,200 members of skinhead gangs in Germany.

He said the largest number of extreme rightwingers were the 40,000-odd members of the DVU and NPD, without mentioning the Republicans, who claim some 23,000 members.

In Berlin, Mr Yilmaz Karahasan, a leading member of the city's large Turkish community, pleaded with his countrymen not to seek any revenge. Mr Karahasan, a member of the giant IG Metall engineering union, said resorting to violence would play into the hand of neo-Nazis.

An opinion poll showed 83 per cent of Germans said they were afraid of rightwing terrorism, against only 14 per cent who said they were unconcerned.

Another poll found that most Germans would accept a temporary suspension of democratic freedoms to stop rightist or leftist extremism, according to a poll released yesterday.

Mr Rudolf Seiters, the interior minister, promised earlier this week that a clampdown against neo-Nazi groups was under urgent consideration. Mr Seiters said yesterday he was also proposing a co-ordination group to be set up under the internal security service to pool all the information.

Decline in video sales forces Tokyo company to cut jobs

By Steven Butler in Tokyo

THE DECLINE in the world market for video equipment has forced Shintom, a medium-sized Japanese electronics company, to end production at its factory in Kofu, west of Tokyo, with the loss of 94 jobs.

The outright closure of a production facility and elimination of jobs is a rare event for a listed Japanese company. Forcing staff employees to leave their jobs is the last resort for a company that would otherwise face bankruptcy.

The move illustrates the severe pressure facing the Japanese consumer electronics industry, which has huge excess production capacity.

Although Shintom hardly ranks as a pillar of the Japanese electronics establishment, the closure of production facilities is an important part of the restructuring which the industry must go through if it is to regain a reasonable level of profitability.

Shintom's main business has been to produce video recorders on an original equipment manufacturers basis, and 90 per cent of its production is exported.

Caught between the worldwide decline in video equipment sales and the rising value of the yen, Shintom found itself squeezed out of the market. The factory is to be kept operating as a storage and distribution centre.

The company will also keep operating production facilities in Singapore, where costs are lower, although jobs have also been cut there.

Shintom has shed 242 full time jobs in the past year, bringing its worldwide workforce down to 540. It is looking to reduce the workforce by another 150 in addition through "voluntary" retirement.

Consolidated sales plunged from Y80.58bn in 1990-91 to Y36.65bn ($295m) in the year to March 1992, when Shintom lost Y7.3bn before tax. It is expected to be in the red this year as well.

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'Poison' tax rise rejected by Kohl

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl yesterday again rejected opposition calls for immediate tax rises to help rebuild eastern Germany and reduce the budget deficit, but promised a decision early next year on a tax increase from January 1, 1995.

Departing from his prepared text in a speech to parliament, Mr Kohl said: "In this phase of recession it would be poison to introduce new tax burdens."

His statement came amid new indications that both government *and opposition* are keen to agree on a "solidarity pact" to stop the collapse of the east German economy.

Mr Kohl spelt out a little more of his ideas about such a pact, insisting on the one hand that he had no intention of "bashing the trade unions" in the negotiations for wage restraint, and that he expected German industry to contribute "billions of D-Marks to retraining and youth programmes in the new Länder" as their side of the bargain.

Leaders of the opposition Social Democrats repeated their desire to reach agreement on a deal, which would *include a more directly inter*ventionist industrial policy, to save key sectors of east German industry, wage restraint on the part of the unions, and some agreement on future financing. It is the last element, on how to reduce the budget deficit and the future debt burden, which still appears to be the most difficult part of the negotiations.

Mr Kohl said he had every intention of reaching an agreement on the pact by Christmas, although he warned that simultaneous negotiations between the central government and the 16 Länder on the future division of the financial burden of subsidies to the east could delay a deal.

He said agreement had to be reached on the financial burden-sharing before the size and shape of the 1995 tax rise could be fixed. The increase in revenue was essential to pay for an estimated annual DM40bn ($25bn) in debt servicing on all the accumulated debts of east Germany, including the forecast DM250bn to be handed on by the Treuhand privatisation agency in 1995. All the debts should be brought together in a single fund for "burdens of the past", he said, and the tax rise dedicated solely to financing it.

Both the Social Democrat opposition and many economists have urged the government to introduce earlier tax measures, both to raise finance and to make burden-sharing in the west more equitable. *At present, all the bur*den of financing unemployment benefit and job creation schemes in the east is borne by registered workers alone.

Bosnian Serbs halt convoys to Moslems

By Laura Silber in Ljubovija

THE WAR of nerves between Bosnian Serb leaders and the United Nations mounted yesterday when Serb militiamen refused to allow emergency food aid to reach the stranded Moslem town of Srebrenica in eastern Bosnia.

A relief convoy to another Moslem-held town, Gorazde, also under siege by Serb forces, was forced to turn back when a French armoured personnel carrier hit a mine.

At the same time, the UN *interrupted its humanitarian* flights into the Bosnian capital Sarajevo after a French aircraft was hit by small arms fire on its approach to the airport.

A spokesman for the UN High Commission for Refugees (UNHCR) said it was not thought the aircraft had been deliberately targeted. There were no casualties.

The UNHCR had already got eight aid flights in yesterday and had been hoping to get three more in before the interruption. The UNHCR suspended the airlift on September 3 after an Italian cargo plane was shot down by a missile over Bosnia. The airlift *resumed a month later with* more stringent security precautions.

The 20-lorry UNHCR relief convoy to Srebrenica, which has been cut off since May, was blocked despite guarantees by Mr Radovan Karadzic, the leader of Bosnia's Serbs, that it would be allowed to cross Serb front lines.

The incident followed a tougher stance by the UNHCR, which has said it will cut off aid to Serb-held areas in eastern Bosnia until convoys are allowed through to the two besieged towns, swollen with refugees.

The UN has until now tried to adopt an even-handed position on aid to the different Bosnian regions.

Mr Laurens Jolles, the leader of the UNHCR convoy, held out little hope that the convoy, escorted by three armoured personnel carriers, would reach Srebrenica yesterday. He called the blockade the "beginning of a crisis."

Across the bridge in Ljubovija, most villagers were extremely hostile towards western journalists and the UN. Some spat angrily, saying the convoy would never pass. Others said they would shoot to stop the convoy and they had mined the area.

"You think the west can tell us what to do? Why should we allow the enemy to be fed? *They never should let any aid* to the Moslems who will just attack us again," said one Serb worker, shouting at the reporters to go home.

A UN peacekeeper escorting the convoy yesterday said the protest was ordered from the top and was part of the strategy to appear "spontaneous".

Serb women from the nearby town of Bratunac have blocked two previous convoys attempting to reach Srebrenica.

However, Mr Jolles was adamant that he would continue efforts to get the aid through.

"We will wait for days at the borders if need be to get to Srebenica," he said.

At the same time, villagers in Ljubovija also appeared ready to risk the severing of aid in order to allow Serbs to keep control over eastern Bosnia.

Fighting continued elsewhere in Bosnia. Sarajevo radio reported shelling and infantry attacks on Gradacac, one of the few key northern towns not held by Serbs, and on Tuzla, Maglaj and Tesanj.

● Senator Daniel Patrick Moynihan, vice-chairman of the US senate foreign relations committee, said in Sarajevo yesterday that the Serb siege of the Bosnian capital was "terror, not strategy". Reuter reports from Sarajevo. "The US has got to have a role in [solving] this," Mr Moynihan told reporters, but insisted that this role must be through the UN Security Council.

Austrian foreign minister Alois Mock (centre) with his Slovenian and Croatian counterparts, Dimitrij Rupel (left) and Zdenko Skrabalo at the Balkans conference in Istanbul yesterday. Mr Rupel said: 'If Sarajevo falls, Bosnia falls, then Macedonia falls'

Balkan states want UN in Kosovo

By John Murray Brown in Istanbul

TURKEY, together with eight Balkan countries, yesterday urged the United Nations to consider deploying forces in the Serbian province of Kosovo. Recent violence has raised fears that this ethnically Albanian region could become the next flashpoint in the worsening Yugoslav conflict.

A joint declaration issued at the end of a one-day conference in Istanbul agreed to set up a consultative body, in an effort to prevent the Yugoslav crisis dragging in regional powers.

Mr Boutros Boutros Ghali, the UN secretary-general, agreed on Tuesday to send "a dozen military, political and civilian personnel on an exploratory mission" to Macedonia, after which he will seek the Security Council's authority for a larger force. The *immediate mandate is to* visit Macedonia's border areas with Albania and Serbia.

Lord Owen, co-chairman of the peace conference on the former Yugoslavia, said the EC must decide at next month's summit in Edinburgh whether to recognise Macedonia as an independent republic.

Foreign ministers also called for rapid deployment of UN observers on the border of Bosnia-Hercegovina, and urged the Security Council to "examine the possibility of deploying forces in Kosovo, Vojvodina and Sandjak to contain the explosive situation".

Ankara believes it is now in a position to urge moderation at the December 2 meeting of the 47-member Islamic Conference organisation, which has become impatient at the failure of the UN and EC to stem Serb attacks on Bosnian Moslems. *Turkey said it would seek Arab* funds for a bigger UN peacekeeping role.

Yesterday's statement also called for the setting up of "militarily protected safe areas in Bosnia Hercegovina".

A majority of the UN Human Rights Commission yesterday announced it would back an earlier Turkish proposal to hold an emergency session on the threat to Slavic Moslems in Bosnia. The US was an original supporter of the proposal made last week, and by the polling deadline late yesterday at least 30 other nations had registered their support. The meeting will be held next Monday and Tuesday.

It will be the second time that the members of the commission have invoked a new provision allowing them to consider urgent human rights concerns that arise between their annual winter sessions. The previous emergency session, last August, was also on Yugoslavia, and it resulted in the appointment of a special investigator, former Polish Prime Minister Tadeusz Mazowiecki, to inquire into reports of concentration-camp-like prisons and other abuses.

● Kerin Hope adds from Athens: Greece has partially lifted its oil embargo on Macedonia by permitting the shipment of 20,000 tonnes of crude to the former Yugoslav republic in what the Greek government claimed was a humanitarian gesture. However, the timing of the oil shipment suggests that the Greek government is mainly concerned with appeasing its EC partners, who are anxious to see the embargo against Skopje lifted ahead of the Edinburgh summit.

Brussels fines rail grouping Ecu1m

THE European Commission fined the International Union of Railways (UIC) Ecu1m ($1.2m) yesterday after railway companies effectively prevented customers from buying cheaper *tickets, Reuter reports* from Brussels.

The companies limited their competition by restricting the number of agencies which could sell railway tickets and *setting* a single rate of commission linked to uniform conditions of payment, the Commission said in a statement.

They also prevented agencies from lowering the fares they offered by passing on some of the commission to customers.

The UIC is a worldwide association of railway companies which co-operate at a technical and commercial level.

Finnish unions agree pay freeze

Finland's trade unions agreed yesterday their members should have no wage increase next year. In return for calling off a general strike due today, they won a concession from the government they will receive index-linked pay compensation if living standards drop by more than 4.3 per cent in 1993, writes Robert Taylor in Stockholm.

The agreement means that Finland will experience a second successive year of zero wage increases through a national *agreement between* employers and unions.

Pressure on franc begins to ease

Pressure on the French franc lessened yesterday on news France's trading account stayed in the black in October after September's currency crisis, writes Alice Rawsthorn in Paris. The trading surplus of FFr1.07bn ($190m) in October was well below the FFr3.71bn achieved in September, but brought the overall surplus for the first 10 months of 1992 to FFr23.86bn, against a *FFr27.38bn deficit in the same* period last year.

Czechoslovakia ceases to be

The Czechoslovak federal assembly yesterday passed a law authorising the constitutional dissolution of the federal state. The vote ensures the legal break-up of the 74-year-old federation, passing legislative powers to the Czech and Slovak republics, which become independent states on January 1, 1993, Vincent Boland reports from Prague.

The law was approved by a *slim three-vote majority in the* 300-seat assembly after a compromise with deputies.

Return of lira to ERM turns into a game of chance

By Robert Graham in Rome

THE return of turbulence in the currency markets has forced Italy to reconsider the timing of its re-entry into the European exchange rate mechanism.

Until this week, the Italian government consistently stated it was anxious for the lira to rejoin the ERM as soon as possible. However, the devaluation of the peseta and escudo, together with continued pressure on other EC currencies, has brought home the advantages to Italy of sustaining the lira in a free float.

The government of the prime minister, Mr Giuliano Amato, did not spell out a timetable for re-entry when the lira was forced to leave on September 17 along with sterling. The public commitment to returning was a statement of faith in the European Monetary System. It was also intended to convince the markets that Italy would not allow a free floating lira to become an excuse for relaxing fiscal policy or the fight against inflation.

Nevertheless, an unofficial timetable had been mapped out. This hinged on parliament's approval of the 1993 budget, completion of negotiations with the EC on an Ecu8bn ($9.7bn) stand-by loan, agreement with the Bundesbank on repayment of the heavy obligations incurred during the September defence of the lira, and a period of reasonable calm on the foreign exchanges. On this basis officials were considering rejoining during December or January at the latest.

The budget will be approved by early December and the Bundesbank is reportedly willing to roll over if necessary the still unspecified sums lent in defence of the lira which are due on December 16. But the stand-by loan is now unlikely to be agreed before January.

Added to this, it suits Italy not to have to defend the lira, which this week has weakened slightly against the D-Mark, hovering around L865.

Deciding the correct level for re-entry is complicated. The French for one are concerned by the competitive edge acquired by the lira's 14-15 per cent devaluation since September. But equally, if the lira were not permitted to devalue on this scale on re-entry, the markets would put immediate pressure on the Italian currency – once again forcing costly intervention, or a second exit.

Pressure on German industry

By Christopher Parkes in Frankfurt

WEST German industry is planning more production cuts *following a further fall in new* orders during October, the Ifo economics institute in Munich said yesterday.

Business conditions again deteriorated considerably and manufacturers had become even more pessimistic about the outlook, according to a monthly survey of leading companies.

Output had already been reduced but the volume of unfilled orders was still shrinking. There was a marked increase in planned production cuts from capital goods makers, and car manufacturers said outstanding orders were well below normal.

Production was still "lively", Ifo said. Seasonally-adjusted figures released yesterday by the vehicle makers' association showed a 4 per cent increase in car output, while truck and bus companies made 8 per cent fewer vehicles.

Meanwhile, the country's retail car sales rose during September, according to a separate report from the HDE retailers' association.

Showroom turnover rose almost 12 per cent, and helped overall retail sales to their first real increase in four months, with a rise of a nominal 5.5 per cent and a real 3.2 per cent.

A modest reduction in west German inflation from 3.7 per cent in October is widely expected to be followed by further rises.

Votes system means weeks before government is settled

Irish poll spells coalition puzzle

By Tim Coone in Dublin

BRISK VOTING took place in Ireland's general election yesterday, but the process of deciding on a new government will be anything but brisk.

The outcome of the poll will be known by tomorrow, but with no party expected to win outright, and uncertainty over how voters will cast their transfer votes under Ireland's single transferable vote system, it could be several weeks before a new coalition is settled. The final result is unlikely to produce a majority government. The biggest uncertainty centres on the prospects for the Labour party.

In the latest opinion polls, Labour has been running neck-and-neck with Fianna Fail in Dublin, with more than 30 per cent support each, while Labour has 22 per cent in the country as a whole.

Mr Dick Spring, the Labour leader, is preferred by 38 per cent of the electorate to be the next prime minister, far ahead of any other party leader, suggesting that many non-Labour voters will use their second and subsequent preferences for the party.

Ireland has three- or five-member constituencies. In a three-seat constituency, a candidate requires more than 25 per cent of the valid vote to obtain a seat, while in a five-seat constituency a minimum of only 16.7 per cent of the vote is required.

Under the single transferable vote system, candidates who fail to get the minimum number of votes to obtain a seat are successively eliminated and have their votes transferred to *other candidates according to* the voters' preference indicated on the ballot paper.

Estimates give Labour at least 23 seats, well up from its present 16. However, if a strong transfer vote goes to Labour, it could win more than 30 seats, putting Mr Spring in a powerful position to determine the shape of a coalition.

Fianna Fail is expected to lose five to seven seats, leaving it with around 70, while Fine Gael is expected to lose several seats, leaving it with around *50. A total of 83 seats are* needed to form a majority.

Policy and personality clashes will make the piecing together of a coalition very difficult. Fianna Fail and Fine Gael have ruled out a coalition together. On policy issues Fianna Fail and Labour share the greatest common ground, but Mr Spring has effectively ruled out such a coalition while Mr Albert Reynolds, the prime minister, stays on as leader.

The so-called "rainbow coali*tion*" of Fine Gael, Labour and the Progressive Democrats, proposed by Mr John Bruton, Fine Gael leader, would face serious strains over taxation and public spending.

Mr Spring has also said he wants to share the leadership if he enters a coalition with either Fianna Fail or Fine Gael, a demand ruled out by the other party leaders.

Meanwhile, the punt continued to come under renewed pressure. Money market interest rates of 25 and 30 per cent are now expected to be translated to commercial rates as early as the weekend, leading many analysts to predict a devaluation can now not be long coming.

A nun fills in her ballot in the Irish election and abortion referendum in Dublin yesterday

Russian minister resigns over pact

By John Lloyd in Moscow

MR Mikhail Poltaranin, a Russian deputy prime minister, minister of information and one of President Boris Yeltsin's closest allies and friends, yesterday resigned "to protect the president from mounting attacks from an opposition bent on revenge".

Mr Poltaranin was a bitter *foe of the Civic Union group* with which President Yeltsin is concluding a political and economic pact.

His comments indicated his resignation was part of the deal between Mr Yeltsin and the Union. In recent exchanges, Mr Arkady Volsky, leader of Russia's Union of Industrialists and Entrepreneurs, accused Mr Poltaranin of corrupt practices while Mr Poltaranin blasted Mr Volsky for leading a creeping coup against the government.

Mr Andrei Nechayev, the economics minister and himself threatened in cabinet, said the resignation was "connected with strong political pressure" on the president and government.

Mr Poltaranin is the first of the Yeltsin circle to resign as a result of the deal. It appears that cabinet ministers, includ*ing Mr Yegor Gaidar, the act*ing prime minister, will remain in order to salvage what he can of economic reform.

Mr Alexander Sudakov, Mr Poltaranin's deputy, said the resignation was "totally unexpected".

Mr Poltaranin's resignation comes the day after the sacking of Mr Yegor Yakovlev as chairman of the TV service of the Commonwealth of Independent States. Mr *Poltaranin's* resignation note said he was influenced by "a range of other circumstances...concerning the functioning of the Russian mass media".

Mr Yakovlev was sacked by Mr Yeltsin apparently after objections from the leadership of the Russian republic of North Ossetia to a documentary deemed favourable to the rival Ingush republic.

Mr Yeltsin, in his recent search for support, has leaned on the leaders of the republics and regions within Russia – as much as upon leaders of *industry represented* by the Civic Forum.

UK requests fertiliser probe

The European Commission yesterday said it is probing possible dumping in Britain of ammonium nitrate fertiliser from Belarus, Georgia, Lithuania, Russia, Turkmenistan, Ukraine and Uzbekistan, AP reports from Brussels.

The investigation was opened following allegations the countries exporting the fertiliser to Britain are undercut*ting EC manufacturers' prices* by around 23 per cent.

Negotiators set sights on February Gatt deal

By Frances Williams in Geneva

SENIOR trade negotiators will today formally endorse a negotiating timetable designed to conclude the Uruguay Round of global trade talks early next year.

The meeting of the trade negotiations committee (TNC), the overseeing body for the 108-nation Round conducted under the General Agreement on Tariffs and Trade (Gatt), follows the deal struck last week by the US and EC on farm subsidies. The agreement broke a logjam which has stalled talks since last December.

Mr Arthur Dunkel, Gatt director-general and TNC chairman, will propose finalising the Uruguay Round package of rules by Christmas and completing bilateral negotiations on market access for goods and services by February, at the latest.

This is to beat the March 1 deadline for the US administration's "fast-track" negotiating authority, which prevents Congress tinkering with the final trade liberalising accord.

Diplomats yesterday cautioned against over-optimism, pointing out that several important and politically sensitive issues were unresolved. The Round, launched in 1986, spans 15 broad trade areas and extends fair trade rules for the first time to agriculture, textiles, services and intellectual property protection.

Terry Kirk
Arthur Dunkel: wants Round's rules finalised by Christmas

Mr Dunkel's first task will be to see if countries are willing to modify the draft "final act" presented to negotiators last December to incorporate the US-EC farm trade accord. Beyond this he will emphasise that those wanting changes to the draft must show evidence of a consensus in their favour.

It remains to be seen to what lengths Japan and South Korea are prepared to go to press objections to opening their rice markets. Many countries, including the US and EC, also have reservations about aspects of the draft but may not insist on changes if others show the same restraint.

The bilateral negotiations – an integral part of the package – could also fail if countries are not able to make the necessary political decisions to reduce protection across the spectrum of goods and services.

Gatt officials have recently visited 32 developing countries to help them prepare services liberalisation offers, without which they cannot become signatories to the proposed services accord nor to the Multilateral Trade Organisation, which will incorporate it, and Gatt.

Desperate farmers take fight to streets

By Alice Rawsthorn in Paris

THE elderly farmer stared forlornly at the scarred shields of the riot police. "Whatever happens, French farming is finished," he said. "It's not a question of whether we'll be ruined, but of when. That's why we can't give up without a fight."

A fight was almost certainly on the agenda yesterday at the Esplanade des Invalides, where more than 3,000 militant farmers demonstrated while the French parliament debated whether to reject the European Community's new farm trade agreement with the US in the nearby National Assembly.

The farmers roared as they threw fireworks and other missiles at the lines of CRS riot police. The air was thick with smoke from exploding fireworks.

The police lines wavered whenever the crackling missiles landed among them. Workers at the National Assembly peered nervously out of windows behind the safety of the police blockades.

Coachloads of farmers from all over France poured into the Invalides throughout the afternoon. They chanted anti-American slogans and carried banners emblazoned with "Tomorrow, US Food, Japanese Cars, Asian Textiles and French Job Losses" and "No To The US Green Army".

Behind their lines the riot police, many of whom had been in position since early morning, were armed with their customary battery of batons, tear gas guns and riot shields. "We'll be here for as long as it takes," said one, grimacing at a smouldering missile.

Earlier in the day, 30 agricultural activists stormed the Paris stock exchange building, bringing trading on the futures and options markets to a temporary halt.

There were other demonstrations elsewhere in France. Farmers in Clermont-Ferrand burnt piles of tyres outside the local McDonald's fast-food store in protest against the US-owned group.

There were also burnings of the British flag in Boulogne and Calais.

Outrage unites French political parties

By David Buchan in Paris

INSIDE a National Assembly virtually surrounded by protesting farmers, France's political parties yesterday sought to outdo each other in opposing the European Commission's draft Gatt accord with the US on agricultural trade.

Heated opposition complaints that Mr Pierre Bérégovoy, the prime minister, was seeking to turn the anti-Gatt consensus into a vote of confidence in his weak Socialist government obscured the fact that the only real point dividing the two sides was whether a French veto of the deal should be threatened now or later.

Mr Bérégovoy's declaration, which looked sure to be approved last night with Communist support, would commit his government "to veto any draft agreement contrary to France's fundamental interests". The prime minister was clearly anxious to leave himself, and President François Mitterrand, who had wisely left town for a Middle East trip, some flexibility in the possible use of a veto which would provoke a crisis in the European Community.

But, fearful that delay could land this hot political potato in the lap of a right-wing government after next March's elections, Mr Alain Juppé, secretary-general of the RPR Gaullists, demanded that, "using its veto right, if need be"", the government should immediately inform its EC partners that it could not accept the deal. It should insist on Brussels negotiators being sent back to Washington to reopen talks.

Even while supporting his own party in power, Mr Laurent Fabius, the Socialist party leader, said: "There are moments when one has to say No [to the Gatt deal], and this is one of them."

Yesterday's debate may yet prove to be the point of maximum French political fury, with protesting farmers outside putting pressure on politicians who only learnt during the session that Brussels considered the Gatt deal compatible reform of the EC's common agricultural policy.

The main feature of the debate was an anti-Americanism, which was predictably most virulent from Mr André Lajoinie, leader of the Communist deputies. He denounced "the American attack on world trade". Far from winning reciprocal US concessions in non-farm aspects of the Gatt negotiations, EC agricultural concessions would only "reinforce American arrogance".

The only reason why the Communists backed the government was that they are the party with most to fear from an premature election. But most other party leaders joined in the denunciation of the US, which Mr Juppé accused of wanting to "dominate the world food market".

Other targets were Britain and New Zealand. Mr Pierre Méhaignerie, leader of the centrist UDC coalition, took a sideswipe at Mr John Gummer, UK agriculture minister, whom he said should be "sanctioned for his scandalous behaviour" in forcing the Gatt deal through as a member of the current British presidency of the EC. He added that if the New Zealand prime minister could hail the Gatt accord as "exceptionally good", it must be "exceptionally bad for France".

The left, in the persons of Mr Fabius and Mr Lajoinie, hit back at the right, but hardly in terms that would provide comfort for proponents of free farm trade. Both men denounced past conservative French governments for acquiescing, in 1962, in duty-free entry for US animal feeds into the EC, while Mr Lajoinie said it had been a mistake to have let the UK and its former colonies dilute Community preference when Britain joined the EC in the early 1970s.

From the opposition and government alike came a common plea for France's EC partners to show the sort of solidarity that France had shown to Britain over that country's EC budget rebate and to Germany over its unification.

THE European Commission last night agreed that the EC-US compromise on farm subsidies in the Gatt world trade talks was compatible with reform of the Common Agricultural Policy (CAP), writes Lionel Barber in Brussels.

After reviewing a document produced by Mr Ray MacSharry, the Irish commissioner for agriculture who secured the breakthrough in last week's trade talks, the Commission approved without a vote the EC negotiating position.

A 10-page paper is to be distributed to member states today which is also expected to set out the concessions made by the US in sectors such as services in the Gatt talks. EC concessions on agriculture will also be outlined.

Mr Jacques Delors, European Commission president who clashed with Mr MacSharry in the run-up to last week's breakthrough, did not voice opposition to the EC-US deal yesterday. Instead, he rallied commissioners behind the MacSharry paper on the grounds that it was the best result attainable. "There was a grudging consensus," said one senior EC official.

France has pushed strongly for the Commission to show that the EC's new international obligations on farm subsidies are incompatible with this year's CAP reform.

Some officials in Brussels say publication of the detailed concessions on agriculture could upset negotiations to be conducted in Geneva, which are needed to wrap up a comprehensive Gatt deal.

Austrian vans get clear road

By Andrew Hill in Brussels

THE European Community is likely to lift the threat of import duties on Austrian-made Chrysler vans, following a compromise between Vienna and the European Commission on reducing state aid to the US manufacturer.

Austria has agreed to cut the level of aid to Chrysler's plant in Graz from 33.3 per cent to 14.4 per cent of the investment.

The Commission yesterday approved the compromise which will now be put to EC member states.

Austrian officials said Chrysler would not have to repay any of the aid, but a final tranche will be paid only if the company goes ahead with the final phase of construction.

The imposition of duties would have unleashed a diplomatic storm between the EC and Austria, which has applied to join the Community. Chrysler had also threatened legal action against the Community.

Brussels had wanted aid to the Sch5.6bn (£328m) plant to be brought down to 8 per cent, in line with rules on state aid for carmakers in the wealthiest Community countries.

Its demands were made under the 1972 free trade agreement with Austria, which outlaws subsidies which distort competition in the EC.

Kazakhs in deal with Israelis

AN Israeli company has signed a $160m agreement with Kazakhstan's government to make and install irrigation equipment in the republic's southern Chimkent province, writes Hugh Carnegy in Jerusalem.

The Eisenberg Group announced the deal this week during a visit by a trade delegation from Kazakhstan. It is the biggest contract won yet by Israeli companies working to establish ties with the Moslem former Soviet republics.

Under the agreement, Eisenberg will build a plant to produce drip irrigation piping and will install systems covering 50,000 acres of cotton, cereals, fruit and other crops. Payment will mostly be in locally produced commodities, it is understood.

The remoteness of the central Asian states and their lack of hard currency have not deterred several Israeli companies from seeking to establish trade ties. They are backed by the government, which sees long-term advantages in forging links to non-Arab Moslem countries with large natural resources on the northern fringe of the Middle East.

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Central Europe is plugged in to power trade

Nicholas Denton on the linking of Czechoslovakia, Hungary and Poland to west's electricity grid

NEW possibilities for trade in electric power have been opened up by an agreement signed recently to link Czechoslovakia, Hungary and Poland with the west European electricity grid.

The three central-east European (CE3) countries committed themselves at a meeting in Prague to higher standards of power transmission in exchange for admission to the west European electricity club by 1998.

The CE3 will withdraw from the east European system, set up a central European electricity "island" insulated from the weak and fluctuating supply from power stations further east and prepare to integrate with western Europe.

Turning toward the west will cost about $500m, according to Mr Walter Fremuth, vice-president of the Union for the Co-ordination of Production and Transmission of Electricity, the western electricity grouping, which announced the Prague accord. Mr Fremuth, who also heads Osterreichische Elektrizitätswirtschaftsverbund, Austria's electricity utility, will host a meeting in Vienna soon to flesh out a financing programme.

The CE3 countries will need to smooth out fluctuations in their own current frequency before they can be fully integrated. Western utilities expect that it will be 1998 before they can be connected without causing fluctuations as far away as Paris or Lisbon.

But western electricity utilities are not waiting until 1998 to bring the CE3 into their camp. Germany and Austria are already building special convertor stations to smooth frequencies and facilitate transfers.

Austria recently commissioned a Sch1bn (£58m) convertor at Vienna Southeast connected by a high-voltage power line to Gyor in Hungary. That complements Austria's existing facility at Durnrohr near the Czechoslovak border. Another plant for connecting Czechoslovakia is undergoing trials at Etzenricht in Germany.

Conversion equipment could be moved eastwards along with the border of the west European grid when the CE3 join, according to Mr Fremuth. That would allow central-eastern Europe countries to retain electricity links with Soviet successor states even as they abandoned their common system.

The CE3 at first pushed for integration of their electricity distribution systems with western Europe to increase their diversity of supply and reduce dependence on erratic deliveries from the former Soviet republics.

That motivation, which has dimmed a little as falling industrial production has reduced electricity consumption, will strengthen again when the region's economy rebounds.

The option of taking supplies from western Europe, even if never exercised, improves their bargaining position with Russia. "Maybe the connection will never be used," says Mr Tamas Jaszay, a senior energy official at the Hungarian industry ministry. "But it makes it easier to push down the price in negotiations."

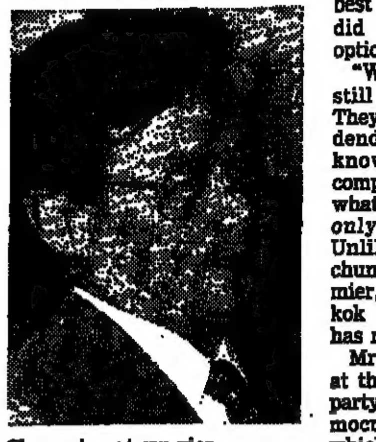
In the meantime the convertor stations will allow the CE3 utilities to export their temporary electricity surpluses to the west to earn hard currency.

For their part, west European utilities foresee a need for electricity imports from their eastern counterparts because public environmental concerns are restricting their ability to expand capacity to keep up with demand. Austria, for one, became a net importer for the first time in 1991 because the public opposed new hydro and nuclear power stations.

Thai premier defends shares crackdown

By Victor Mallet and Peter Ungphakorn in Bangkok

THAILAND'S prime minister, Mr Chuan Leekpai, yesterday defended his government's crackdown on share speculators, saying the move was aimed at raising standards on the volatile Stock Exchange of Thailand (SET). "We realised it would have some negative effects," Mr Chuan told the Financial Times. "But taking a long-term view, we believed it would raise the stock market to international standards."



Chuan: long-term view

The SET index has plunged since charges were filed against Mr Song Watcharasriroj and 11 associates for allegedly manipulating the price of shares in Bangkok Bank of Commerce, the country's ninth largest bank. Yesterday, the index fell 12.10 points to 847.33, down 12 per cent from its year's high of 963.03 three weeks ago. Foreign stockbrokers, pointing to strong corporate profits and annual economic growth of 7-8 per cent, have urged clients to buy while prices are low.

The market has been depressed because the government has told stockbrokers to curb the credit they extend to clients to buy shares, and because Thais fear further cases will be brought against speculators by the six-month-old Securities and Exchange Commission.

"We discussed this matter for about three weeks before it erupted," said Mr Chuan. We had to conclude this was the best way out because the law did not give us any other option.

"We realise that investors still behave like gamblers. They are not interested in dividends. They probably don't know what businesses the companies are involved in, or what dividends are paid. It's *only day-to-day trading.*" Unlike Mr Anand Panyarachun, his predecessor as premier, Mr Chuan is not a Bangkok businessman. He says he has no shares of his own.

Mr Chuan, 54, came to power at the head of an elected five-party coalition after the pro-democracy uprising in May in which 50 people were killed. He promised to stress rural development more than previous governments, but within weeks, is being accused by his opponents of being indecisive.

"Coalitions will always have these problems," he said. "I've been in many coalitions, so I'm prepared to face the obstacles. I believe we'll be able to maintain the coalition so it follows the principles of the parties which got together to draft [our] common policy statement. *It may be slow, but I* think we can continue this way."

Ozone layer pact tightened

By Bronwen Maddox in Copenhagen

THE MONTREAL Protocol to protect the atmosphere's ozone layer, one of the most successful worldwide international environmental treaties, was yesterday tightened for the second time in its five-year life. The 93 signatories voted to *bring forward the phase-out of* chlorofluorocarbons (CFCs), the chemicals most damaging to the ozone layer, by four years to 1996.

Dr Mustapha Tolba, executive director of the UN environment programme and architect of the new agreement, called depletion of the layer "an unfair action to future generations. We have done the damage; we have to undo it."

Scientists have feared that the thinning of the layer, partly caused by man-made chemicals containing chlorine and bromine, could lead to more skin cancer and lower crop yields. Dr Rumen Bojkov, head of ozone research at the World Meteorological Organisation, said the agreement would bring forward the date by when the layer had recovered to normal levels, and the "hole" over the Antarctic had disappeared, by 10-15 years to the middle of the next century.

The "make-or-break issue" was the pledge by industrialised countries of an extra \$500m (£331m) to a fund to help developing countries adapt in 1994-96, on top of \$240m already committed. In return, developing countries agreed to bring methyl bromide, a substance used for preserving fruit and grain, under the protocol for the first time, and to freeze production at 1991 levels by 1995. The new agreement also stipulates industrialised countries will phase out:

- Halons, used in firefighting, by January 1994 instead of January 2000;
- *Trichloroethane, used in* cleaning metals, by January 1996 instead of January 2000;
- HCFCs, a less damaging substitute for CFCs, by 2030;
- Carbon tetrachloride, a rarely-used solvent, by January 1996 instead of January 2000;

Even with implementation of yesterday's agreement, ozone depletion will worsen because of chlorine already in the atmosphere, Dr Bojkov said. The worst years are likely to be 1995-2005 when depletion of the ozone layer over inhabited regions of the northern hemisphere could reach a yearly 15 per cent average.

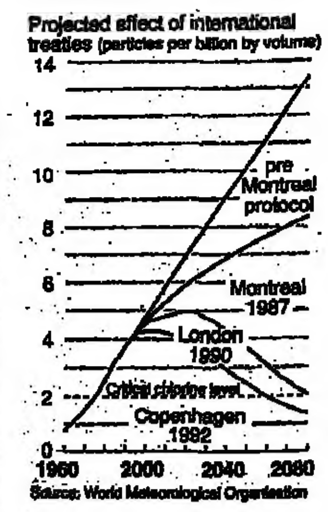
The Copenhagen agreements fell short of some countries' demands, including the US and UK, and next year's meeting, *probably in Nairobi, will face a* testing agenda. Phasing out methyl bromide is posing problems because it is damaging to the ozone layer and few substitutes are available. Signatories will want to see if effective use of the fund to help developing countries adapt has increased. The fund has been criticised for its failure to move forward any ozone-saving projects.

UN scientists also say more research is needed into how much ozone depletion is due to man-made chemicals and how much to natural causes.

See Editorial Comment

Atmospheric chlorine

Projected effect of international treaties (particles per billion by volume)



Source: World Meteorological Organisation

Hong Kong Governor Chris Patten arrives full of smiles at a Tokyo hotel yesterday for four days of meetings with business and political leaders. He will be seeking more investment in Hong Kong and diplomatic support for greater democracy in the colony

Israel to lift ban on PLO contacts

THE ISRAELI government plans to move next week to revoke controversial legislation banning contact with the Palestine Liberation Organisation, although it will continue to oppose any direct PLO role in Middle East peace negotiations, writes Hugh Carnegy in Jerusalem.

The decision was announced yesterday by the Justice Ministry just before the arrival in Jerusalem of President François Mitterrand of France who has urged *Israel to accept the* involvement of the PLO in the peace process. Mr Mitterrand said on arrival changes in the balance of power in the world required new thinking on the future of the Middle East.

Mr Yitzhak Rabin, the prime minister, who held talks with Mr Mitterrand last night, has turned a blind eye to close contacts between the PLO leader*ship, based in Tunis,* and the Palestinian delegates to the Washington peace negotiations who are all residents of the occupied West Bank and Gaza Strip. But he has refused to allow any deeper PLO involvement.

The move may be aimed at improving the atmosphere at the next round of peace talks starting on December 7. Mr Yassir Arafat, the PLO chairman, told Reuters this week that the Palestinians were close to pulling out of the talks which he said had reached "a dead end".

Revolution plotted in Japan's politics

By Charles Leadbeater in Tokyo

JAPAN'S most prolific management consultant, Mr Kenichi Ohmae, yesterday launched an attempt to revolutionise the country's political system within six years.

He has founded a group with some 30 politicians to be known as Reform of Heisei, because, he says, the current political system works against the interests of Japan and the rest of the world.

Mr Ohmae, chairman of the Japanese arm of management consultants McKinsey and Co, used three specially written books, flow charts and an array of acronyms to explain his plans to build up and lead a 1m-strong political movement.

He conjured up the 19th century Meiji Restoration, foundation for Japan's modernisation, by calling for similarly sweeping reform in the 1990s. Heisei is the name of the current era of imperial rule.

"We have to clear the system away and start afresh. We wish to restore nothing from the past. We have to press the all-clear button," Mr Ohmae said. His group aims to sweep away the Liberal Democratic party and the main opposition Socialist party.

"We believe the effectiveness of the two parties has come to an end. Having written off the existing parties, we find some members of the Diet [the Japanese parliament] prepared to change this country for its own good."

He had decided to found the group after talks with socialist and LDP leaders convinced him they were incapable of introducing radical change.

The launch comes as Japanese party politics is in flux following the Tokyo Sagawa Kyubin scandal which has split the Takeshita faction, the LDP's largest. The Miyazawa *government's popularity has* fallen amid the scandal; today, Mr Noboru Takeshita, the former prime minister, gives parliamentary evidence on the affair.

Mr Ohmae has mapped out a plan for his group, to end in 1997 with a revolution in Japanese politics. The group plans to recruit 1m members, each paying Y10,000 (£53) to create a fund to support 50 candidates in next year's lower house elections. These 50, drawn from the established parties, will be assessed by a panel rather like a political credit rating agency, to determine if they are sufficiently committed to Mr Ohmae's policies to deserve its support.

They will then form a party to build a third way between the LDP and the Socialists. It *is committed to reform* Japan's constitution to decentralise power from Tokyo to the regions, and will represent consumers, citizens and communities, not companies, unions and vested interests.

Australian MP ousted by court

AUSTRALIA'S Labor government could face a difficult by-election before next year's general election following a High Court ruling yesterday which ejects an independent MP from parliament, writes Kevin Brown in Sydney.

Mr Phil Cleary won the Melbourne seat of Wills in April in a by-election dominated by his attacks on the liberal economic policies of both the government and the conservative opposition. The defeat was doubly embarrassing for the government because the seat was held until March by Mr Bob Hawke, former prime minister.

Mr Cleary, a Melbourne teacher, lost his seat after the court ruled that he was a paid public official at the time of the election, even though he was on unpaid leave throughout the campaign.

Mr Cleary could be required to repay his parliamentary salary, and could be fined A\$200 (£91) for each day he sat in parliament if an elector pursued the issue in court.

Ironically, the court ruled that the Labor and conserva*tive candidates* were *also* ineligible because both were dual citizens who had taken insufficient steps to renounce their foreign citizenship.

Hopes rise for joint Mandela and Buthelezi meeting

By Patti Waldmeir in Johannesburg

PROSPECTS for a meeting between South Africa's two rival black leaders, Mr Nelson Mandela, president of the African National Congress, and Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, brightened yesterday as delegations from both sides attempt to set up top-level talks.

Officials of the two sides said senior delegations from the ANC and Inkatha would meet "as soon as possible" to finalise arrangements for a bilateral meeting between the two leaders.

But officials of the National Peace Committee, which worked towards a meeting for weeks said it could still collapse.

Asked whether the ANC had dropped pre-conditions it earlier set for meeting Chief Buthelezi – including agreement on fencing migrant workers' hostels and banning so-called traditional weapons such as clubs and spears, conditions rejected by Inkatha – the chairman of the National Peace Committee, Mr John Hall, said the preparatory teams would have to work this out.

Mr Hall and other intermediaries, including western diplomats, have for months tried to persuade Mr Mandela and Chief Buthelezi to meet to address the problem of worsening township violence which has left 3,000 people dead this year alone.

Mr Hall said he believed prospects for a meeting were better now than at any time in the recent past.

The two men last met bilaterally nearly two years ago, but failed to reduce the level of violence between their supporters.

Mr Hall said a meeting of all signatories to the National Peace Accord, including main political groups in South Africa, would also be held soon, adding this could pave the way for the resumption of multi-party talks on a new constitution.

The ANC yesterday confirmed its more moderate position in those talks when its national executive committee endorsed power sharing in a government of national unity, even after a post-apartheid constitution is in place.

S Africa investment up – but so are the outflows

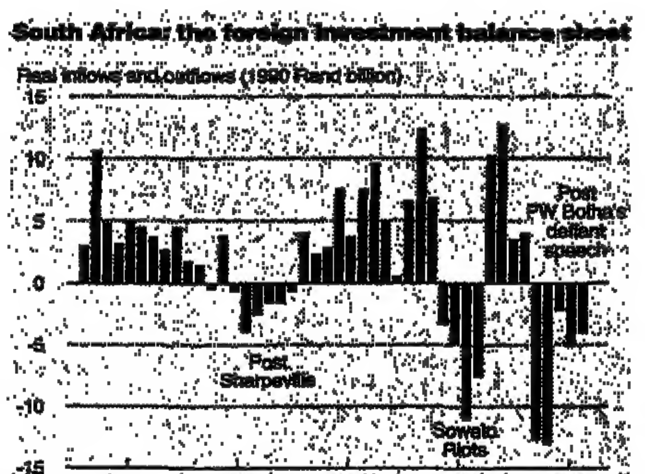
Disinvestment and investments abroad amount to more than double inward flows, writes Philip Gawith

SOUTH AFRICA'S business leaders seldom waste an opportunity to lecture the politicians that without political stability there will be no foreign investment in the country.

Recent evidence suggests *they are at least half right.* A study* by the London School of Economics shows that while South Africa has enjoyed a renewal of foreign direct investment since President F W de Klerk embarked on reforms in late 1989, it has been less than half as much as disinvestments and investments abroad by South African companies in the same period.

South Africa: the foreign investment balance sheet

Real inflows and outflows (1990 Rand billion)



Source: Smith New Court

Indeed, the impact of this investment outflow is probably the main reason behind the recent weakening in the financial rand, the investment currency for foreigners investing in South Africa, and South Africans investing abroad. Yesterday the currency closed at R5.00/\$1 – a 40 per cent discount to the commercial rand rate of exchange of R3.00/\$1. The discount, which is a *barometer of investor confi*dence in the country, was only 13.5 per cent at the end of 1991.

The recent trend to invest abroad is being investigated by Mr Derek Keys, minister of finance and trade and industry, and it is possible changes in exchange control regulations may follow.

Another recent study, by the Washington-based Investor Responsibility Research Centre (IRRC), concludes, however, that the trend of disinvestment has been reversed over the past year.

The IRRC report on International Business in South Africa, notes that 508 non-US companies have direct investment or employees in South Africa, up from 454 a year ago. US companies have returned in smaller numbers, increasing to 111 from 106 a year ago. There has also been a considerable upsurge in foreign companies having non-equity links (such as licensing or distribution arrangements) in South Africa.

A longer term perspective on *capital outflows from South* Africa was recently offered by Mr Michael Marks, chief executive of brokers Smith New Court. He noted that since 1959 capital inflows have totalled R100bn, in 1990 values. During this period, disinvestment has taken R84bn back out. He speculates that without spells of heightened political tension, South Africa could have expected capital inflows to have continued, as they did between 1946 and 1959 and between 1965 *and 1976. He calculates that* this might have added another R104bn, in 1990 terms.

It has often been pointed out that South Africa is not so much short of funds to invest, but of attractive investment opportunities. Continued current account surpluses, and large sums raised on the stock exchange, testify to the former. Reserve Bank figures, showing that real investment by the private sector shrunk by 9.5 per cent from the end of 1989 to mid-1992, are evidence of the latter.

It is hardly surprising that foreigners are also holding back. Business confidence – reported recently by the Bureau of Economic Research to be at its lowest level since ex-President P W Botha's disastrous Rubicon *speech in August 1985 – is* clearly the key factor, with political uncertainty one of the main contributors. But there are also important economic realities which are a disincentive to investment for domestic and foreign businesses alike.

Mr Ted Osborne, group economist at the Nedcor group, listed them earlier this year as including such factors as "high tax rates, high wage rates in relation to skill and productivity levels, shortages of skill, a *less than demonic work ethic,* highly politicised trade unions, and high inflation". He also mentioned the limited size of the South African market and its growing exposure to international competition as tariff walls are lowered.

These factors, together with a logical desire to spread risk and access new markets, explain the recent upsurge in investments abroad by South African companies. These include large investments by the country's two forest products groups, Sappi and Mondi, acquisitions by First National Bank and the Standard Bank group and the proposed takeover of Del Monte Foods International by the Royal Group and Anglo American.

Large disinvestments this year appear to have been more *a function of internal strategic* issues within the companies concerned than any particular view of the South African economy.

At the same there has been a steady flow of mostly smaller inward investment flows. The LSE study (which does not pretend to be exhaustive, especially of smaller projects) identifies a total of 51 new investments made in South Africa since late 1989. The 20, to which an exact size could be *put had a cumulative value of* just more than \$700m. The authors say they believe it unlikely that the total new inflow to South Africa as a result of these new investments will exceed \$1.5bn.

Although economists caution against trying to establish a relationship between capital inflows and economic growth, figures from the Central Economic Advisory Service, a government economic research body, suggest that if the country is to achieve an average GDP growth rate of 3.5 a year between now and the end of the century – the minimum necessary to absorb new entrants to the labour market – then an annual capital inflow of 1.5-2 per cent of GDP (R4.5bn-R6bn in 1991 terms) is necessary.

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Indian protest attracts 250,000

A march organised by eight trade unions to the Indian parliament yesterday drew an estimated 250,000 supporters protesting against the "disastrous economic policies" of the government, writes Shiraz Sidhva in New Delhi.

Industrial workers and agricultural labourers who had travelled to the capital shouted slogans demanding a self-reliant economy, trade union rights and higher wages for the unorganised sector.

Dissident freed

China yesterday released Bao Zunxin, a prominent dissident jailed for his part in the 1989 Tiananmen Square protests, Reuter reports from Beijing. The official Xinhua news agency said Bao was released on probation early because he had shown repentance in jail.

New Laos leader

Mr Nouhak Phoumsavan, a one-time truck driver known as a hardline communist and friend of Vietnam, was named the new leader of Laos yesterday following the death of President Kaysone Phomvihane, according to official Radio Laos, Reuter reports from Bangkok.

Madagascar votes

Millions in Madagascar voted peacefully for a new head of state yesterday in elections wrung from President Didier Ratsiraka's iron grip by violent opposition to his 17-year rule of the impoverished Indian Ocean island, Reuter reports from Antananarivo.

Communist old guard turns the table on Moslems in Tajikistan

Steve LeVine on a setback for political Islam

MOSLEM LEADERS in troubled Tajikistan, the only former Soviet nation where Islam had become a key political force, appear to have lost most of their power during the last week in a stunning reversal engineered by ex-communists.

The political shift comes just 10 weeks after Islamic fighters expelled ex-communist President Rakhmon Nabiyev, becoming major partners in a coalition government. The central Asian nation of 5m people will once more be dominated by the old Soviet hierarchy of politicians and industrialists staunchly opposed to the Islamists.

They will call the shots behind the nominal leadership of the newly elected parliamentary speaker, Mr Imamali Rakhmanov, who until recently ran a state collective farm.

"Whatever they do, they're finished," a senior diplomat said of the Islamists. "This is the old guard coming back."

Analysts have watched central Asia, Algeria and Tunisia as laboratories for the world's new strain of Islam that, unlike the violent movements of the 1970s and 1980s, aims to gain power through popular means.

In the five ex-Soviet central Asian nations, only Tajikistan has experienced a rise of political Islam.

The new government could eventually help stabilise Tajikistan if it reduces the fighting that divided the republic into what amounts to independent cantons. The counter coup reinforces the growing power of irregular military commanders who, propping up the opposing political forces, are largely responsible for the ex-communists' triumph.

The capital Dushanbe has been in turmoil for most of this year as the rivals tussled for power, while across the south-eastern republic dozens of private armies, some with largely criminal rather than political motivations, have clashed repeatedly.

In recent weeks, militias loyal to the ex-communists have routed the Islamic forces, and now lay siege to Dushanbe where Islamic fighters are holed up.

The strongest of the ex-communist commanders is Mr Sangak Safarov, who spent 23 years in prison for murder. Now Mr Safarov is a power behind the throne.

Only after Mr Safarov and allied militias won a string of triumphs did Tajikistan's weakened parliament, dominated by the old guard, reassert itself. The parliament met for a special session in the northern city of Khojand, home of Tajikistan's former Soviet hierarchy. Last week the parliament elected Mr Rakhmonov as its speaker – effective head of state as there is no president.

Mr Rakhmonov succeeds Mr Akbarshah Iskandarov, who led a coalition government propped up by its Islamic and democratic partners. Until last month, Mr Rakhmonov administered a state farm near Kulyab, the anti-Islamic regional stronghold. Then, with the backing of the militia leader, Mr Safarov, was named governor of Kulyab.

The pro-old guard prime minister, Mr Abdumalik Abdullajanov, is more experienced than Mr Rakhmonov and an influential power broker. Enjoying considerable influence in the north, which produces two thirds of Tajikistan's industrial output, he could become an important figure.

Having forced out Mr Iskandarov, the old guard is still in Khojand deciding how and when to return to Dushanbe. The little changed ex-communists know that when Mr Rakhmonov enters the capital he may provoke fresh fighting as defending forces make a possible final stand.

Even with a more stable situation, the new government faces enormous problems.

The winter will be difficult, as six months of fighting has prevented farmers harvesting crops in the southern regions of Kulyab and Kurgan-Tybe.

More than 100,000 refugees from the fighting have swollen Dushanbe, under blockade for two months.

Until now Tajikistan's paramount Islamic leader, Qazi Akhbar Toradzhon Zoda, was perhaps its most important political force. The republic's competing political factions were said to consider him a rational moderate capable of solving differences between political rivals. Mr Zoda's well-armed military force put muscle behind his words.

A twin political force was the Islamic Renaissance party. The IRP, including a wing demanding an Islamic government in Tajikistan, was often at odds with Mr Zoda politically.

But its equally effective army, partly supplied and trained by Afghan rebel leader, Mr Gulbuddin Hekmatyar, fought alongside Mr Zoda's fighters.

While Mr Zoda's influence will be eroded, a new Islamic leader has risen in importance. Mr Haidar Sharifov, chief mullah in the Kulyab region, is the strongest Islamic force in the new power circle.

NEWS: THE AMERICAS

Democratic incumbent loses run-off for Senate seat despite Clinton support

Georgia vote lifts Republican spirits

By Jurek Martin in Washington

THE Democratic party's majority in the US Senate will not be increased following the defeat of Senator Wyche Fowler in a run-off election in the state of Georgia on Tuesday.

Mr Paul Coverdell, the Republican candidate and director of the Peace Corps under President George Bush, apparently beat Mr Fowler by about 15,000 votes in a poll of 1.25m, less than *half the turnout recorded on November* 3. Mr Fowler did not formally concede defeat, pending a count of absentee votes, but admitted it looked as if Georgia would be getting a new senator.

The Coverdell victory gives the Republicans 43 seats, the same number as in the old Senate. The Democratic total is expected to remain at 57 assuming that in North Dakota Mr Kent Conrad wins another special election next week. Mr Conrad is already a senator from the state. He declined to seek a second term because of congressional inability to reduce the budget deficit, but changed his mind when another seat came up.

Mr Fowler narrowly won on November 3, beating Mr Coverdell by 49-48 per cent. But Georgia state law, unique in the US, requires a run-off if no candidate wins at least 50 per cent, a total denied both men by the 3 per cent scored by the Libertarian party candidate, who was excluded from Tuesday's election.

President-elect Bill Clinton had campaigned in person for Mr Fowler on Monday, but Mr James Carville, his political strategist, rejected suggestions yesterday that he had sacrificed prestige by becoming involved. Mr Clinton carried Georgia in the November presidential election, an important breakthrough in the south even though his victory was by a slender margin.

Mr Coverdell becomes only the second Republican senator from Georgia since the reconstruction era after the Civil War. The first, Mr Mack Mattingly, was defeated in 1986 by Mr Fowler, previously a congressman. Mr Coverdell consistently attacked Mr Fowler for being an inside member of the Washington establishment

His victory is also the first piece of good news for the national Republican party since the presidential election. The party has been consumed by painful post-mortems of why it lost the White House and achieved only small gains in the House of Representatives.

Monetary union holds no fears for Caricom

EC's problems provide useful lessons, writes Canute James

CENTRAL bankers and finance ministers from the Caribbean Community (Caricom) have been watching with great interest the recent difficulties of the European Community's monetary system and its exchange rate mechanism. They see lessons for their own attempts to create a common market by establishing a monetary union with a single currency over the next eight years.

Europe's problems appear, if anything, to have confirmed the Caribbean intention to proceed towards a monetary union – but to do it with caution. Despite its flaws, said one central banker, the European experience has shown that any meaningful economic integration must include a monetary union.

Caricom's aim is to bring some order to a confusion of currencies and financial policies among its 13 members, whose population totals only 5.5m. Monetary union is also seen by some as an answer to sometimes chronic problems of trade payments.

Finding common ground, however, on the policies which will guide them towards such a union could be difficult for governments which, at times, tend to sacrifice regional economic co-operation to narrow parochialism.

Under the first phase Barbadian, Trinidadian and East Caribbean dollars will be freely convertible with each other. The three central banks will establish a regional monetary authority to co-ordinate policies, while the governments will pursue common policies leading to a deregulation of wages, prices and trade.

Other Caricom members will join the monetary authority after they have met criteria based on their reserves. Eventually, all the currencies will be floated and made freely convertible against each other. In due course, the monetary authority will be converted into a regional central bank to administer a common currency.

The region already has a functioning monetary union which is being used as a model. The Eastern Caribbean dollar, one of the area's stronger currencies, is used in the seven islands of the Organisation of Eastern Caribbean States, a sub-group of Caricom. Its value is fixed at 2.7 to the US dollar and cannot be changed unilaterally.

The Barbados dollar is fixed at 2 to the US dollar, but has been under pressure recently because of shortfalls in the island's fiscal and external accounts, brought on by reduced earnings from tourism and sugar, the pillars of the economy.

The Trinidadian currency has remained at 4.25 since 1989. It comes under pressure in line with the state of the international oil market. Trinidad and Tobago's economy is 75 per cent dependent on its oil industry.

Integrating the Jamaican and Guyanese currencies could be a test of financial management. Both are floating as part of programmes to deregulate those countries' economies.

The Jamaican dollar, floated 15 months ago, tumbled 56 per cent before being revalued by 26 per cent. The Guyanese dollar appears to have found its real parity after plunging 55 per cent when first floated.

In the words of the St Lucian official, however, Caricom should not approach the common currency and the establishment of the monetary union with trepidation. "Although many do not realise it, the community has had a common currency for some time," he said. "It is the US dollar. The only problem is that there has never been enough of it around."

Clinton aide mulls options for activism

Michael Prowse profiles a key member of the president-elect's industrial team

LAURA D'Andrea Tysonis one of those "cautious activists" that surround Bill Clinton. If there is a more aggressive US industrial policy under the new president, much of it will be put down to her.

"I have always walked a tightrope," says Ms Tyson, a professor of economics at the University of California's Berkeley campus and one of the few women likely to exert an important influence on the Clinton administration's economic policy.

She performs something of a balancing act within the US economics profession. She is far more sceptical of free market theories than many colleagues. She was one of the few US academics willing to defend the 1986 semiconductor trade deal between the US and Japan under which Tokyo agreed to assist foreign companies in achieving a 20 per cent share of the Japanese market. Many theorists regard such "managed trade" agreements as covert protection.

Yet she is anxious not to be typecast as a believer in crude government intervention. "I was defending a particular form of managed trade in special circumstances," she says.

Ms Tysonis a senior member of President-elect Bill Clinton's economic transition team and is likely to get an important economic post in the new administration, probably in a revamped commerce department or the proposed new Economic Security Council.

Over the next month, her main task is to prepare policy options for Mr Clinton in high technology and manufacturing industry. In other words, she will be mulling the options for a more aggressive US industrial policy.

"Cautious activist" is Ms Tyson's self description. It is a phrase that accurately describes most of Mr Clinton's advisers, including his economic czar, Mr Robert Reich of Harvard's Kennedy School of Government. Mr Reich – who has hinted he wishes to return to Harvard after the transition – has argued for a bigger government role, especially in education, training and infrastructure.

Mr Lawrence Summers, chief economist at the World Bank and another leading economic transition team member, is cautious activist too. He has long supported tax incentives to spur industrial investment and at the World Bank has directed a project analysing east Asian industrial development, which stressed the role of government more than has been fashionable in the US.

However, main economic innovations in the Clinton administration are likely to occur in industrial and technology policy – Ms Tyson's field.

She sets out her thinking at length in a new book, Who's Bashing Whom: Trade Conflict in High-Technology Industries, published last week by the Washington-based Institute for International Economics. This focuses on trade conflicts in areas such as semiconductors and commercial aircraft as a platform for articulating a new activist agenda.

The message is that the US must react domestically to competitors' policies: "Flawed domestic choices, not unfair trade practices, are the main cause of the nation's long run economic slowdown," she writes. Trade policies "cannot compensate for domestic programmes that remain fiscally and intellectually impoverished".

As part of a strategic response to the end of the cold war, she wants the US to "develop an institutional capability for assessing competitive and technological trends in high technology industries and begin to shift its R&D [research and development] moneys from military to civilian programmes".

Such an agency, possibly within the commerce department, could provide "industry-specific information" to formulate domestic strategies for winning back market share. To improve US competitiveness she favours more generous tax incentives for corporate R&D, heavy federal investment in civilian R&D and targeted subsidies for strategic industries, such as semiconductors and supercomputers.

She says the wisest response to subsidies abroad is often to introduce subsidies at home. The scope for action is large: US industrial subsidies are worth only 0.5 per cent of gross domestic product, compared with 1 per cent in Japan and 3 per cent in Europe.

On trade, she believes the US should continue to promote a multilateral rule-based system. But the rules should be modified to permit domestic subsidies. She believes the European Community was justified in subsidising Airbus.

What Ms Tyson regards as cautious activism, however, may be seen abroad as threatening behaviour. If her thinking proves a good guide to the Clinton administration's approach, other countries will have to come to terms with a US which pursues its own interests far more nakedly than in the past.

Activist smile: But Laura Tyson is anxious not be typecast as a crude believer in intervention

Haiti army allows Senate election

HAITI'S military-backed administration has said it will hold Senate elections next month, amid signs of mounting anti-government sentiment, writes Canute James.

The vote, for nine of the 27 Senate seats, is seen as an attempt to legitimise the administration, following a coup by the army 14 months ago. The announcement by Mr Marc Bazin, the army-appointed prime minister, coincided with several blasts in Port-au-Prince, the capital of the Caribbean republic.

The military is continuing attempts to suppress public displays of support for Mr Jean-Bertrand Aristide, who lost the presidency in the coup and who is now in exile. No group has claimed responsibility for the bombing, in which one person was killed.

Meanwhile, Gen Prosper Avril, a former military ruler, was held by the army after returning from exile.

Chicago airport backed in spite of criticism

ILLINOIS Governor Jim Edgar has outlined a plan to locate a third international airport in the Chicago area near rural Peotone, disregarding criticism that it would be too far away and would not draw airlines or passengers, AP reports from Chicago.

The $1.8bn (£1.2bn) plan includes proposals to build an additional runway to relieve congestion at Chicago's O'Hare International Airport and create a $423m high-speed rail system linking downtown Chicago to the proposed new airport about 35 miles away.

The airport would create 102,000 construction jobs and 167,000 permanent jobs by 2020, Mr Edgar said.

FT writer wins award

Bernard Simon, the Financial Times correspondent in Toronto, has won a special award for overall excellence of coverage from Canada in the Journalism 1992 Awards sponsored by Labatt's Brewing UK.

The award was presented in London yesterday by Mr Fredrik Eaton, the Canadian High Commissioner.

Treasury fears lasting effects of recession

By Peter Marsh

THE TREASURY is close to admitting that Britain's long-term potential to produce goods and services has been damaged by the lingering recession, Treasury officials indicated last night.

Giving evidence to the Commons Treasury and Civil Service Committee, Mr Alan Budd, the Treasury's chief economic adviser, also suggested unemployment was likely to carry on rising throughout next year and that it would be "many years" before the government's finances returned to surplus.

The new assessment by Treasury officials of the longer-term effects of the recession is the gloomiest indication that the Treasury has given so far into the economic decline that Britain faces deep-seated economic problems. It is likely to lead to a further erosion of already-fragile confidence on financial markets and among business investors.

Mr Budd told the MPs he could "recognise the danger" that the longer-than-expected recession, which many economists believe will last well into next year, could damage Britain's potential to provide manufactured products and services. It has been suggested this could happen by companies shutting down offices and production lines permanently and by a large fall in confidence among entrepreneurs.

Mr Chris Riley, Treasury official in charge of medium-term policy analysis, said it was "quite possible" that in the Budget next March the Treasury would revise down its long-term projections about the UK's growth potential.

In the Autumn Statement, the Treasury predicted one per cent real growth next year, followed by an assumed growth of about 3.75 per cent in both the 1994-95 and 1995-96 financial years, with the growth in both cases related to the previous financial year.

Answering a question from Mr John Watts, the committee chairman, Mr Riley indicated that the new assumptions about the economy to form part of the Budget will be revised downwards.

In his evidence, Mr Budd told the committee that unemployment would be likely to come down only when growth returned to what the Treasury believes is its long-term growth rate of about 2¼ per cent.

Given the Treasury's growth forecast of one per cent for 1993, this implies that the Treasury believes unemployment will carry on increasing during 1993 from its current level of nearly 2.9m.

Asked about public spending, Mr Budd was noticeably gloomier than the Treasury's prediction in the Autumn Statement about likely changes over the next few years in the ratio of total government spending to total output.

British factories lack skilled supervisors and are characterised by infighting among shopfloor workers seeking management favour, according to a study published yesterday by the National Institute of Economic and Social Research.

In a comparison of workforces at 10 UK plants run by Japanese companies, the report says British workers are well behind their Japanese counterparts in terms of productivity, solving problems, taking breaks from work and identifying with the company line. UK shopfloor employees score higher than their Japanese counterparts in gaining qualifications, but that is mainly because these can passports to jobs elsewhere.

The study does not identify the companies involved but says they are mainly in electronics and car manufacturing. It adds that "the rate of knowledge acquisition by UK workers was broadly comparable with that in Japan", while British employees have also adopted some characteristics of their Japanese counterparts by wanting to outperform rival companies.

Core £1.5bn of services to be contracted out

By Alison Smith and Robert Rice

A FUNDAMENTAL change in the range and scale of central government activities which could be contracted out to the private sector was unveiled yesterday by Mr William Waldegrave, the public services minister.

Publishing a policy document on progress and plans for the Citizen's Charter initiative, Mr Waldegrave said some £1.5bn of services – about 10 per cent of central government running costs – would be tested against the market in the coming year. Previous, smaller-scale, market-testing moves have resulted in an average 25 per cent saving.

The Citizen's Charter aims to make government services more accountable and responsive to public demands. The latest document of the charter's progress listed catering, office services and auditing as areas which could be contracted out.

Mr Waldegrave also emphasised the importance he attached to the carrying out of opinion polling to discover what people think of public services. The first polling is expected early next year, and will be repeated at six-monthly intervals.

Another new element in the policy document is the setting up of a "complaints task force". Its mission will be to advise on improving access to complaints procedures, and then to consider how methods of redress might be simplified.

Selling the state sector: William Waldegrave announces plans to contract out public services yesterday

Mr Waldegrave said about 90 per cent of the targets set in the original July 1991 charter either had been met or were "in train". The most prominent failures to meet standards came from British Rail.

While Mr Waldegrave promised a number of further charters, including one covering patients' dealings with their local doctors, and one for further and higher education, he made it clear the emphasis would shift towards upgrading standards rather than a continuing flood of charters to add to the 28 already published.

The latest to be launched was the much-delayed courts charter, guaranteeing national standards of service and facilities for court users in England and Wales, which finally appeared yesterday.

The delay in publication was largely due to difficulties in setting meaningful standards for court proceedings which would meet the conflicting interests of witnesses, jurors, defendants and victims.

The charter was attacked by the Consumers' Association for not offering compensation for administrative errors by court staff in spite of the fact that Lord Chancellor's department already pays compensation to people who suffer financial loss through court negligence.

Ms Majorie Mowlam, the Labour party's public services spokesman, said the basic idea of the Citizen's Charter was good, but was sharply critical of the "farce and hype" surrounding the document.

EC court convicts Britain on water purity

By Neil Buckley and Bronwen Maddox

THE European Court of Justice yesterday found the UK government guilty of breaking EC rules on drinking water quality – the first time the UK has been convicted by the court of a breach of environmental standards.

The court backed a complaint from the European Commission that nitrate levels in 28 supply zones in England in 1989 exceeded permitted limits, and that the UK had failed to implement EC directives in time. However, it accepted that the UK was already rectifying the situation.

It threw out a second complaint from the Commission that lead levels exceeded legal limits. The affected zones, out of 2,000 in England and Wales, were all in East Anglia, with water supplied by Anglian Water and Cambridge Water.

Speaking in Copenhagen, Mr Michael Howard, environment secretary, said the UK would comply with the EC directive in 12 of the areas mentioned in the ruling by the end of this year.

"It would not have been practicable to have complied sooner," he said. "There is no danger to health in any of the areas. If there were we would have taken steps sooner." Mr David Maclean, environment minister, added that the ruling was "mainly about technicalities rather than the quality of the UK's drinking water and refers only to certain aspects of the situation as it was in 1989."

But Friends of the Earth, the environmental group which first made the complaint about the UK's failure to meet requirements in 1986, called the ruling a "landmark decision" and a "major embarrassment for the government".

It urged that polluters, mainly farmers who use fertilisers which release nitrates into water, and not consumers should bear the costs of meeting requirements on nitrates – estimated at about £155m.

Mr Mike Swallow, director of the Water Companies Association, said the water industry was involved in a £14bn investment programme to meet environmental standards. However, 98.7 per cent of more than 3m water samples tested by the government's drinking water inspectorate in 1991 already met all EC requirements.

The EC directive was issued in 1980, and was due to be implemented by 1985. The UK government argued it did not impose an obligation to achieve a result, but merely required member states to make every effort to meet the standards within the time limit. Yesterday's court judgment was that member states were obliged to achieve certain results.

The UK and European Commission also differed on their interpretation of the proposals on nitrate levels – a disagreement resolved only in 1987.

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City to test French electric cars

PEUGEOT, the French motor manufacturer, is to launch a joint bid to make Coventry, central England, the UK's first city to integrate electric cars in its transportation system, writes John Griffiths.

Coventry's local authority voted yesterday in favour of the project, which aims to make the city one of four in Europe operating trial fleets of Peugeot Citroen electric cars. The vehicles are intended to be rented by users on a self-drive basis, and to help city authorities assess the potential of electric cars.

The French coastal city of la Rochelle has already started a pilot project.

Tours, similar in size to Coventry, has also committed itself to the project, assuming the EC funding become available. Barcelona and Milan are believed to be the other two cities in the project.

The Peugeot group, which has declared its belief Europeans are likely to be buying 200,000 electric cars a year by the end of the decade, is co-ordinating the project under the terms of the EC Commission's Thermie programme to promote new energy technologies.

While it covers a wide variety of schemes well outside the motor industry, next year the Thermie programme enters a new phase in which it will concentrate upon technologies designed to reduce damaging emissions of carbon dioxide and sulphur dioxide.

Peugeot is understood to be laying plans for production of up to 50,000 electric cars a year by as early as 1996, in the belief that atmospheric pollution,noise, congestion and other environmental pressures will lead to petrol or diesel engined cars being progressively banned from large city centres throughout Europe.

PEOPLE

Kwik Save picks another Australian

Graeme Seabrook, the Australian retailer who has transformed discount chain Kwik Save since he took over in 1988, is stepping down as chief executive next June. As expected, he has secured the top job at Dairy Farm International, the Hong Kong-based food group which is part of the Jardine Matheson empire and which holds 25 per cent of Kwik Save.

The UK food discounter is again to be headed by an Australian – to avoid confusion, also called Graeme – who has been running Franklins, a wholly-owned subsidiary of Dairy Farm and Australia's biggest force in food discounting, since 1985. "Graeme Bowler knows how to run a 'no-frills' business," says Seabrook, 53, who points out that Franklins has been the inspiration for a lot of the changes that have been effected at Kwik Save.

During Bowler's time, turnover has doubled to A$3bn and operating profits have trebled to A$90m. "There are not that many people who really understand discount groceries. While our chairman Sir Timothy Harford did look outside the Dairy Farm group for other candidates, I asked for him and Dairy Farm was prepared to offer him," explains the current boss.

Bowler, (right) 55, worked for Dairy Farm in Hong Kong for 12 years before returning to Australia to take up the Franklins post, is resigning his executive responsibilities at Dairy Farm when he takes up his new assignment in June.

Seabrook, by contrast, who had joined Dairy Farm from Coles Myer where he had been joint managing director, was immediately seconded to Kwik Save, where he says he has doubled both turnover and profits and has taken the company's market share of basic groceries, by volume, to 10 per cent. He says he was promised from the beginning that he would be a candidate for the top job at Dairy Farm at the end of his stint in the UK. He remains at Kwik Save in a non-executive capacity.

Seabrook replaces Owen Price, who has been joint managing director since 1990 and on the board since 1986. Price, 66, is yet another Australian retailer, who spent 27 years in that country before joining Dairy Farm in 1974.

Rolls-Royce powers up

Rolls-Royce yesterday announced another big shake-up of senior executives that creates a company-wide engineering and research supremo and brings a new managing director of the company's aerospace group.

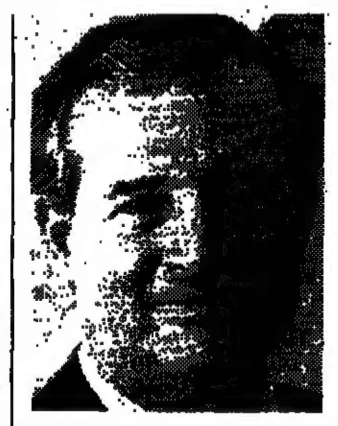
Stewart Miller, 58-year-old managing director of the Rolls-Royce aerospace group, is moving to the new post of director, engineering and technology, from January 1.

The moves come two weeks after Frank Turner, director of Rolls-Royce's civil engine business, was appointed head of Lucas' aerospace division. Turner's replacement, who has not yet been named, will report to John Sandford, Miller's successor as managing director of the aerospace group.

Sandford is also 58 and currently president and chief executive of Rolls-Royce Inc in the US. British-born, he is a well-known figure in the North American aerospace industry, where he has held senior posts at Rockwell, De Havilland Aircraft Canada, Rohr Industries and Gulfstream Aerospace.

The appointment of Sandford means that both the Rolls-Royce aerospace group and the industrial power group – which includes NEI – have new chiefs.

Earlier this month Richard Maudslay became managing director of the industrial power group.



John Maxwell (left) was yesterday appointed chief executive of BPB Industries, Europe's biggest plasterboard manufacturer. Alan Turner, chief executive since 1978 remains as chairman.

Turner, who will be 60 next year, has combined the post of chairman and chief executive since 1985. During that period he has had to fight against a bitter European price war as BPB, Knauf of Germany and Lafarge Coppée of France have battled for market share. The struggle, however, has abated and prices have started to rise again this year after falling by as much as 50 per cent in the UK since 1987.

John Maxwell, 47, formerly chief executive of financial services company Provincial Group, joined as finance director earlier this year. He had previously been with Grand Metropolitan and Rank Xerox.

He is replaced as finance director by Peter Sydney-Smith, previously finance director of a British Gypsum subsidiary. Martin Clark, a director of Northern Foods, joins the BPB board as a non-executive director.

Intrum Justitia

Bo Goranson, founder and largest shareholder of Intrum Justitia, Europe's biggest debt collection agency, has resumed the position of chief executive.

His resumption of executive duties follows the sudden announcement in early November that Gert van Laar had resigned as chief executive after only six months.

Van Laar, a straight-talking Dutchman, left after what company advisers called a lack of "chemistry with the other operating directors". He is understood to have had an options package, cancellation of which has been taken into account in compensation that will be revealed in the next annual report.

Intrum Justitia has now strengthened its board of supervisory directors, to include representation from MAI, the financial services group, which now has a 11.4 per cent stake. The new appointments are Peter Hickson, MAI's finance director; Harry Groen, chairman of NCM, the Dutch credit insurer; Hans Bagner, a London partner in Vinge, the Scandinavian law firm.

Goranson will be resigning from the supervisory board on January 14 and will be succeeded as chairman by Fred Chiswell.

- Graeme Pearson, md of BTR Nylex, is appointed to the main BTR board.
- Tim Clarke has been appointed commercial director designate of LAWSON MARDON Can, and commercial director of Lawson Mardon Decorated Containers; Richard Blake, commercial director of Lawson Mardon Can, will retire in December.
- David Corkhill, formerly operations director of Nissan Plant & Industrial Machinery, has been appointed operations director UK and Ireland for CLARK MATERIAL HANDLING EUROPE.
- Stuart Cruickshank, finance director of Häagen-Dazs UK, has been promoted to controller for Häagen-Dazs Europe based in Paris.
- John Garrett, md of the recreation division, has been appointed a director of the RANK ORGANISATION.
- Graham Rider, BhS finance director and group finance director designate, has been appointed to the board of STOREHOUSE.
- Jim Butler, director of BAT Industries' corporate management training education, is appointed director of the POST OFFICE's training and development group from January.
- Chris Burton, formerly divisional financial controller at Bourne Leisure Group, has been appointed finance director and and company secretary of ABB Kent-Taylor in succession to John Martin who has moved to ABB Kent Meters.

Loss-making Lloyd's Names protest at fees

By Richard Lapper

A PLAN to pay "success fees" of up to £200,000 each to representatives fighting to recover losses on behalf of Lloyd's Names was strongly criticised yesterday.

The 12-man committee of the Gooda Walker Action Group, which represents some 2,000 loss-making Names – the individuals who underwrite the market with their personal wealth – is proposing it should receive more than one per cent of any legal settlement won by the group.

With the group seeking to recover up to £500m, some past and present members of the committee could earn up to £200,000 per head if the legal action is successful.

Over the past two years Lloyd's has recorded losses of over £2.5bn ruining several thousand individual Names who provided its capital.

Mr Norbert Mallett, a Gooda Name, said yesterday: "There is no way you can justify sums of this. I think it's obscene."

Mr Alfred Doll-Steinberg, the action group chairman, said the proposal would be put to the group's annual general meeting on Monday. At present the group's rules stipulate that committee members should be unpaid.

"If group members don't like it they can vote against it," said Mr Doll-Steinberg, who is expected to ask members to provide up to £3m to finance legal action against Lloyd's agents at the meeting.

Describing the affair as a "storm in a tea cup", Mr Doll-Steinberg, said an "incentive package" was needed because "negotiations are a nerve-wracking and all-consuming process. A skilled negotiator gives his all to get the last item in a deal".

"We are aware of strong objections being expressed by members", said the Association of Lloyd's Members, which represents 9,000 of the market's 22,400 Names.

Mr Tom Benyon, the former Conservative MP, who is deputy chairman of the group, said that if the legal action takes a number of years to complete the amounts received by individuals would amount to "no more than a non-executive salary".

Mr Benyon said that an upper limit "must" be placed on the amount committee members could receive. But last night Mr Doll-Steinberg insisted that there was "no question" of introducing a cap into the proposal.

Members of Lloyd's of London yesterday voted Mr David Rowland to the insurance market's governing council, clearing the way for his expected election by 20 fellow council members to the post of chairman next week.

The council votes on Wednesday although Mr Rowland will not be confirmed as chairman, in succession to Mr David Coleridge, the current chairman, until the new year. Aged 59, Mr Rowland has spent most of his working life at Lloyd's and announced his resignation as chairman of Sedgwick Group, the insurance broker, earlier this year. He topped the poll of working Names – those who have jobs with brokers and agencies on the market.

MPs chilled by threat of pay freeze

By Ivo Dawnay, Political Correspondent

THE undignified sight of an elite group of public sector workers pleading for a pay rise yesterday showed that the human tragedy of the recession is finally being grasped at Westminster.

Faced with a government proposal to freeze their salaries for a year, MPs cast aside such esoteric matters as the Maastricht treaty to debate something about which they are genuinely both knowledgeable and passionate – their own remuneration.

Mr Tony Newton, the Leader of the Commons, argued that as Cabinet ministers had foregone their pay rise MPs should do the same.

Mrs Margaret Beckett, his opposite number from the Labour benches, described the policy as a smokescreen intended to "create an illusion of fairness".

As Labour opposed the pay ceiling as setting an unacceptable precedent, she argued, logic suggested it should oppose a freeze for MPs.

In the event, MPs bit back their resentment, swallowed the humbug that had suffused the House all day, and voted by 3 to 1 tighten their belts.

Britain in brief

Motor trade deficit grows by 154%

The UK motor industry trade balance deteriorated sharply in the third quarter with the deficit increasing by 154 per cent to £1.2bn from £471m in the same period a year ago.

The deficit on UK trade in cars, commercial vehicles and automotive parts and accessories in the first 9 months rose by 131 per cent to £2.56bn, more than double the deficit for the whole of 1991, which totalled £1bn. The motor industry alone accounted for more than a third of the total UK visible trade deficit of £3.25bn in the third quarter.

Warning on rail sell-off

Sea Containers, the Bermuda-based shipping, ferry and hotel group, warned that 5 per cent of British Rail's routes would have to close if railways were to become profitable after privatisation. Sea Containers has told the government that it is interested in taking on the franchise for the operation of Network SouthEast's passenger train services between London and the south coast after privatisation.

Prospects of upturn unlikely

Recovery from the recession is unlikely until 1994, according to a new assessment of economic prospects by PA Cambridge Economic Consultants, a consultancy group. House prices will continue to fall next year, while the boost to exports arising from the pound's devaluation will come through only slowly, says PA in a report produced with Cambridge University's Department of Land Economy.

GPT loses share of orders

GPT, Britain's largest telecommunications manufacturer, has lost market share in the latest £926m batch of orders by British Telecommunications for modernising its network.

Although GPT is still BT's largest supplier, Sweden's Ericsson has increased its market share.

GPT has won £579m in orders for computerised exchanges and software over the next three years, while Ericsson has won £346m.

Airlines appeal on BA decision

Virgin and British Midland are to go to the Court of Appeal over what they claim is the Government's failure to consider EC law before clearing the British Airways takeover of Dan-Air. The High Court ruled last week that the companies had not made out their case for judicial review of the decision not to refer the takeover to the Monopolies Commission.

Air Ukraine launches service

Air Ukraine International has launched the first ever non stop scheduled flights from the UK to Kiev in the Ukraine. It will operate from London's Gatwick airport three times a week. The airline, set up last month, is the first western-style airline to operate out of the former Soviet Union using new US Boeing aircraft.

Amcor to build £32m plant

Amcor, the Australian packaging company, is to build a £32m factory in North Wales, creating almost 200 jobs making corrugated cardboard boxes. The 240,000 sq ft factory on a 15-acre former colliery site facing Mold bypass in Clwyd will be Amcor's second UK plant – the first is at March, Cambridgeshire.

Alarm for sleepy drivers

Ford's "neural network" monitoring system, capable of assessing when a driver is becoming sleepy and warning him or her to pull over and rest, should be on the market in about five years at a cost of around £150. The system, under development by Ford for several years as part of its contribution to the EC "Prometheus" road traffic research programme, is now being fitted to a small fleet of test cars at its Dunton, Essex, research centre.

Cable industry enjoys growth

The cable television industry has just had its best ever period of growth, according to the Independent Television Commission. In the three months to October 49,667 new subscribers were connected – 159,569 in the previous 12 months. Both figures were records. The ITC figures show the total number of subscribers to multi-channel cable systems rose to 380,297 as cable companies, mainly North American, start to build cable networks as at faster rate.

Drugs seized

Police seized drugs worth an estimated £1m in Belfast, one of the largest hauls made in Northern Ireland, the Royal Ulster Constabulary said. A man and a woman, whose names were not released, were arrested after a raid on an east Belfast house, where the RUC believes they were running an illegal drugs factory.

Construction orders static

British construction orders, despite a pick up in the third quarter, continue to run below the corresponding levels for last year according to figures published by the Environment Department. Total orders received by contractors in Great Britain during the three months to the end of September were 17 per cent higher than during the preceding three months but one per cent lower than during the third quarter last year.

NEI wins order

NEI International Combustion, part of the Rolls-Royce group, has won a £18m order in collaboration with Belgium's Cockerill Mechanical Industries to provide the waste heat recovery steam generators for National Power's Deeside combined cycle power station.

Tax regime threatens UK horse breeders

By Lisa Wood and Bethan Hutton

THOUSANDS of jobs could be lost in the British horsebreeding industry under a value added tax regime to be introduced on January 1, MPs heard yesterday.

Mr Christopher Haines, chief executive of the Jockey Club – racing's regulatory body, told the Commons employment committee the VAT charges were the reason why Tattersalls, the UK's largest bloodstock auctioneer, was moving its most prestigious sales to Ireland, where VAT is almost 15 percentage points lower than in the UK.

Tattersalls said it had believed that horses brought from Ireland or France for sale at Newmarket would be liable for VAT at rates applying in their country of origin, but it now appears that full UK VAT will be charged.

The racing world has been warning for some time that the UK was in danger of losing its position as a centre for horse breeding and sales. Racing trade organisations say the UK's high level of VAT, at 17.5 per cent, is driving buyers to Ireland, where VAT is 2.7 per cent, and France, with its 5.5 per cent rate.

The government has refused a request from horsebreeders to register them for VAT – as occurs in France – or impose a lower rate of VAT.The British government had been slow to heed the threat to an industry which employed 30,000 people directly and a 100,000 indirectly, said Mr Haines.

Tattersalls said most of its auctions would still be held at its headquarters in Newmarket, Cambridgeshire. The move to Ireland applies only to the top-of-the-market Houghton yearlings sale, where prices are over £20,000, and the tax differential has hit particularly hard.

● Britain's betting industry is pressing the government to relax restrictions that prevent betting shops from opening in the evening.

A Gallup survey sponsored by the Betting Office Licensees Association shows most customers want betting shops, which at present must close at 6.30pm, to remain open to cover evening racing in the summer and satellite televised races at other times of the year. It is argued the exchequer, which collects £500m a year in duty from the betting industry, would be a big beneficiary as turnover would increase by at least 10 per cent if evening opening were allowed, bringing in an additional £50m or more in tax.

Major steps up European bid to win summit deal

By Ralph Atkins

MR JOHN Major will accelerate his tour of European capitals this weekend as he tries to improve the chances of deals being reached by European Community leaders at the Edinburgh summit next month.

The prime minister expects to visit six capitals in three days, starting tomorrow, in an attempt to forge a consensus on the future financing of the community and possible Europe-wide economic growth initiatives.

He will also want to discuss how Danish objections to the Maastricht treaty can be accommodated.

Downing Street officials conceded that it was "partially coincidental" that visits to the most crucial players – in France, Germany and Denmark – have been left until nearer the Edinburgh summit in December.

But they said Mr Major's meeting in Madrid on Tuesday with Mr Felipe González, the Spanish prime minister, could also prove critical.

Spain has put an emphasis on securing "cohesion funds" for poorer EC countries and is suspicious of attempts to define "subsidiarity" – the principle of decisions being made at the lowest possible level of government - which Mr Major needs to sell the Maastricht treaty to Tory Euro-sceptic MPs.

Downing Street also believes the French government, although concerned about the General Agreement on Tariffs and Trade, will be supportive in resisting large increases in the EC budget.

Mr Major will visit Rome and Athens tomorrow, returning to London early on Saturday. On Monday he travels to Luxembourg and probably the Hague and then leave for Madrid in the evening.

He will visit Lisbon after Madrid on Tuesday. Mr Major went to Brussels on Monday. Trips to Paris, Dublin, Copenhagen and Bonn have yet to be arranged.

The prime minister has already phoned Chancellor Kohl in Germany. Mr Major is not expected to visit any capital more than once before the Edinburgh summit.

● The government has defeated a Labour attack on its handling of its EC presidency by a large majority in the House of Commons.

Conservative MPs rejected an opposition amendment which protested that the UK's six-month term in the office *"has achieved so little for* Britain and the Community".

MANAGEMENT: MARKETING AND ADVERTISING

Independent retailers, under pressure from supermarkets for the last decade, are banding together to fight back. **Guy de Jonquières** reports on their plans to be a cohesive second force

Local grocers set out new stall

There are few more striking measures of Britain's changing shopping habits than the retreat of small neighbourhood grocers in the face of ever larger supermarkets operated by powerful national chains such as J. Sainsbury and Tesco.

Once the main purveyors of household provisions, the number of independent retail outlets shrank by a third during the 1980s while their share of total food and drink sales fell from a quarter to a seventh.

In the past year, widespread Sunday opening by food superstores has added to the pressure. *Richard* Hyman of Verdict, a retailing research company, puts the independent grocers' market share today at barely 12 per cent, the lowest in western Europe.

Now, the independents aim to stand and fight. This week, Nisa Today's, the largest association of supermarkets and wholesalers, announced plans to turn its members into a cohesive second force by co-ordinating more closely their operations, from product specification to the point of sale.

Formed 15 years ago, Nisa Today's negotiates annual bonuses and discounts with suppliers and organises promotion campaigns on behalf of its 718 members, which have combined sales of £9bn. It also helps with the development of own-label products and distribution.

These activities are set to move *into higher gear with the formation* of a central buying consortium which aims to present a common front to suppliers by combining the purchasing power of its members.

Initially, the consortium will be backed by Nisa Today's seven biggest members, *including* Booths, Budgens, Circle K, Grandways, Londis and Walter Willson. They will be joined later by a further 28 organisations.

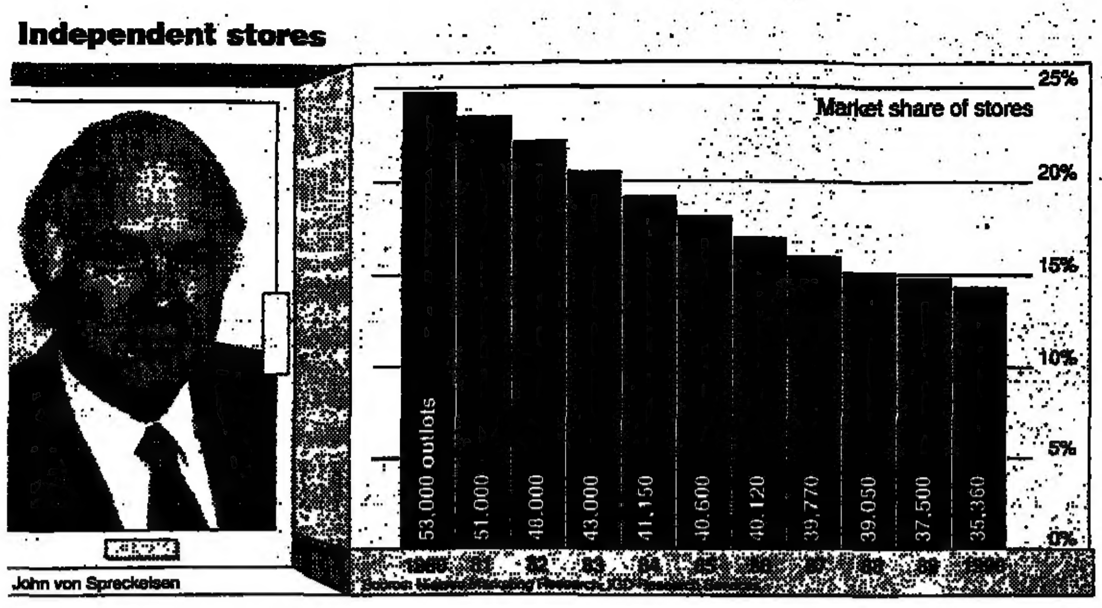
Together, this group serves 10m customers a week and has annual sales of £3bn. Though only a third of Sainsbury's or Tesco's turnover, that is more than the revenues of Morrisons, the north of England supermarket chain.

As well as aiming to secure keener discounts by buying in bulk, the consortium expects to double the total number of lines available to its members to 13,000, almost as many as are stocked by Sainsbury's.

The consortium also hopes to cut the cost of own-label procurement by getting its members to agree on standardised product specifications and packaging.

In the next few weeks, the *consortium plans to negotiate with* about 70 leading manufacturers.

Independent stores



John von Spreckelsen

However, it is coy about the price reductions it expects to achieve. Nor will it say how much of any *savings will be passed on to consumers*, arguing that this will depend on the costs and volumes of individual retailers.

On most price comparisons, the *independents fare poorly, charging* as much as 20 per cent more than Sainsbury's or Tesco for a typical shopping basket. For some items, such as fish fingers and tomato *ketchup, the difference averages* well over 30 per cent.

However, John von Spreckelsen, appointed last year as chief executive of the ailing Budgens supermarket chain and a prime mover behind the formation of the consor*tium, believes the gains will be* appreciable.

He argues that buying consortia have already proved their worth in continental Europe.

He says a German retail chain he previously managed achieved savings equal to 1.25 per cent of turnover after it joined a consortium.

But why should food and drink manufacturers want to play ball at a time when many of them view the growing concentration of retailer power across northern Europe as the single biggest competitive threat to their future?

Nisa Today's has two answers. First, it says, bulk purchasing will provide large, regular orders for suppliers, enabling them to schedule production more efficiently.

Second, the organisation argues that it offers manufacturers the *opportunity of a more constructive* partnership than do the big supermarket chains, with their heavy emphasis on own-label lines which compete directly with branded products.

Terry Blackman, trading director of Circle K which operates 230 convenience stores, claims that though his customers' weekly purchase averages only £45 – against £75 at Tesco – more of what they buy is manufacturer branded goods.

Among the incentives the consortium will offer suppliers is a joint commitment by its members to support their marketing effort by, for example, devoting a specified amount of shelf space to their products.

Will the initiative succeed in stemming the tide of decline, which has relegated many small grocery outlets to a precarious existence as a source of occasional "top-up" purchases or as suppliers to remote rural communities?

David Shriver, retailing analyst with County NatWest, calls it a belated step in the right direction, but cautions: "It will require a lot of co-ordination *and communications* and a big commitment of management time."

Hyman of thinks joint buying could help independent grocers improve margins and check their loss of business to the big multiples. However, he thinks they have left it too late to regain market share.

"Anyone who expects people in Britain to turn the clock back and start buying most of their food in *neighbourhood shops* again isn't living in the real world," he says.

Identifying the shape of bins to come

Hugh Aldersey-Williams looks at the link between good design and success

It was Thomas J Watson, the former chairman of International Business Machines, who coined the phrase "good design is good business".

In the 1950s, Watson inculcated a tradition of excellence in product design, graphics and architecture that has persisted within his company to this day. Watson's phrase is oft-repeated, though mainly by designers rather than their clients.

But the truth is rather more complicated. Is good design bad business? A number of high-profile design users have recently experienced difficulties. In some cases, design is connected with downfall. In others, it provided a means of escape.

The new Lotus Elan won a *Design Council award in 1989*, but the car was never economical to build. Design was not to blame, however. In addition to coming on to the market as the recession took hold, the new Elan required expensive refitting to meet safety requirements imposed by its owner, General Motors.

Had the stubby design been just the first in a line of models culminating in four-wheel-drive four-seaters as GM intended, the design strategy would have been vindicated, says Graham Arnold of Club Lotus. "When they scrapped the Elan, they scrapped Lotus's future in one fell swoop."

Belling also won awards for a new range of cookers introduced in 1990, but the company went into receivership in May 1992. These cookers were one factor that made Belling attractive to Dimplex as a going concern, but if the company had invested earlier in design, *might its difficulties have been* avoided entirely?

According to Andrew Smith, now marketing planning manager of the Belling Cooker Division of Dimplex UK: "The company went down for reasons more to do with the overall market than with individual models in the market. By maintaining competitive prices we doubled market share, but the competitive prices undermined profitability."

Belling's design consultant, Paul Priestman, had been brought in to move the company's dowdy product image up-market. He believes that if the company had invested earlier in design, it could have penetrated vital foreign markets and higher-priced sectors early enough to avoid collapse.

Little is known about design effectiveness at a project level

Good design, then, is not a sufficient condition for good business. Is it even necessary? The Design Business Association, which represents design consultancies, set up its biennial Design Effectiveness Awards in 1988 to judge design, not on the customary basis of aesthetics, but on success in the market.

Packaging for Highland Spring mineral water by Michael Peters and Partners was the first overall winner. In 1990, the prize went to a range of electric shavers designed for Boots by Fitch RS. The products reversed a decline in market share and sales increased by 80 per cent in a year.

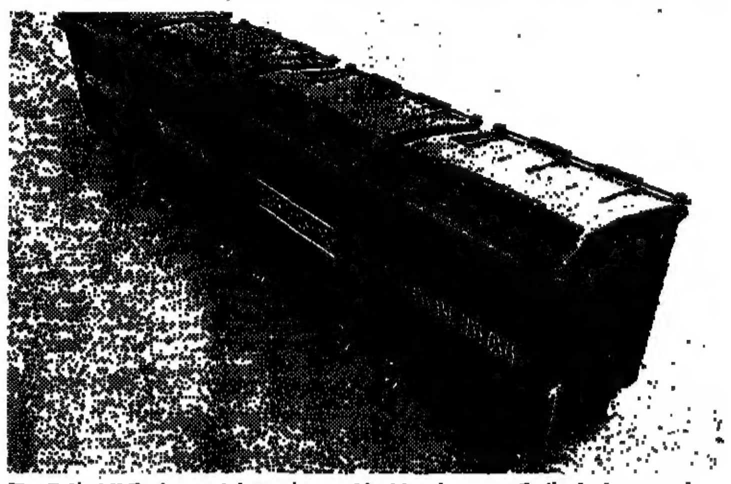
The difficulty is to quantify the contribution of design. Says Barbara Walker, associate director responsible for marketing from the Confederation of British Industry: "Little is known about design effec*tiveness at a project level. It is dif*ficult to come up with hard figures because it is interwoven with other things." Walker is organising seminars to analyse the separate roles of advertising, design and corporate videos.

This year's Design Effectiveness Awards will be presented at a ceremony next Tuesday. The winners will have presented sound quantitative evidence to support their case.

Sir Anthony Cleaver, chairman of IBM (UK) who chaired the panel of judges, says he was impressed by some entrants' scientific method, shown in their willingness to treat a new product development almost as an experiment, isolating design from other variables such as advertising spending. "They created a backcloth against which they could measure the success of the design."

One finalist in the product design category is a waste container made by Egbert H Taylor, certainly not *an object that would win an aes*thetic design award. The new plastic design replaces a traditional steel container.

The brief required new functions to be introduced at no extra cost and new European standards to be met. Colin Stanwell-Smith of design consultancy Cosine says: "We had to make it look credible. It looked terrible before although it basically did the same job."



The Egbert H Taylor container: not an object to win an aesthetic design award

Like other finalists, Stanwell-Smith and Taylor presented an analysis showing that design was a discrete factor that could otherwise have been left out. The containers are becoming more visible to the general public because of roadside recycling, but this activity accounts for a very small proportion of sales.

The market – mainly local authorities – is well known and understood by Taylor, and this is not the sort of product to be launched with an advertising blitz. Thus, the design was the only change.

Each year since the launch, sales have increased by 40 per cent and market share has risen from 40 to 55 per cent.

Is this the way your international advertising agency handles your international business?

A Battle Royal.

More often than not, that's what the running of an international advertising account turns into.

What begins as a noble corporate goal – "one campaign for all markets" – is wounded country by country.

It dies the death of a thousand cuts, unrecognisable as a single campaign.

Many advertisers are feeling increasingly frustrated.

Especially as 81% of Marketing Directors working across Europe are trying to standardise all of their Pan-European advertising.

And 70% of advertising business put up for pitch in European markets in 1990/91 was reviewed not nationally but throughout Europe.

Yet, of the clients who believe in this transnational way of working and are now striving to achieve it, only 18% feel that they are being completely successful.

This should come as no surprise.

They want to improve their single, cross-border creative message but their advertising agencies seem unwilling or unable to help.

These days, client companies, more than their international agencies, recognise that "Consumer Convergence" is becoming not just a wishdream of marketing men, but a true phenomenon.

It has been accelerated by increased travel, improving communications technology, global fashion trends and – by legislation – through the EC.

More people in more countries have the same fundamental requirements of the products they buy.

Which is already leading irrevocably to the need for a single transnational advertising strategy and just one creative execution for individual products.

However, existing international agencies still duplicate their services in every location. With domestic profit and agency ego getting in the way of transnationalism.

Hardly surprising then that every local CEO, Creative Director and Account Director, of a supposedly unified international agency, has it in their interest to say "We didn't invent it; it won't work here; let's do our own thing."

A resounding defeat of a client's objective, if ever there was one.

Yet this is the path most global multinational agencies have trod for the last 40 years. And they'll find it virtually impossible to change their structure to keep pace with their clients' needs.

On October 1st 1992, a better way of working became a reality.

On that date CME·KHBB opened up its doors in London, Paris, Milan, Frankfurt, Brussels, Madrid, Zurich, Minneapolis, New York, Hong Kong and 26 further offices around the world.

It is the coming together of two highly respected advertising agencies – Campbell-Mithun-Esty of the USA and KHBB of the UK.

We already handle such clients as Alcatel, 3M, Pillsbury, Honeywell, Allied Lyons, Chrysler, General Mills, Carlsberg, Texaco, Reckitt & Colman and Uniroyal.

And together we make up the 17th largest agency network in the world with billings of over $1.2 billion.

But, as we've intimated, this is no ordinary network.

CME·KHBB is structured as a worldwide network of "Hubs" and "Spokes."

The Hubs will provide the strategic planning and outstanding creative talent to develop transnational advertising and relay it to the Spokes.

The Spokes will provide essential local input to the Hubs at the initial strategic stage, then tailor the transnational theme to local requirements faithfully and sympathetically without re-inventing the wheel. (The Spokes are there strictly to service the Hubs. They will not pitch for "domestic only" business.)

The Hubs think global.

The Spokes act local.

We're one agency acting as one agency, in the truest sense of the word.

No other network ever set up in the history of advertising has been able to offer its clients such consistency or strength of purpose.

Because we are born of the reality of the 90's, CME·KHBB doesn't carry the baggage of duplication and the cost base of multinational agency history.

You may have been bloodied already on the battlefield of existing international agencies.

Or you may simply want to avoid the expensive, time-wasting and wearisome experience altogether.

In either case, you should investigate CME·KHBB further.

Unless you're one of the untroubled minority, you have nothing to lose. And everything to win.

Just one call to Stuart Bull at CME·KHBB in London on (44) 71 379 5656, or Judy Balint in Paris on (33) 1 42 66 64 80, could revolutionise your business all over the world.

Without a fight.

CME•KHBB
ADVERTISING

Coutts & Co

COMPANY SNAPSHOT

Coutts Bank was founded in 1692, and is celebrating its 300th anniversary year.
Nature of Business: Private banking – the bank has a reputation for exclusivity, numbering members of the Royal Family among its 50,000 customers. Although it demurs over "qualifications" for opening an account, it is reputed to expect clients to have assets of around £250,000 and hold a regular balance of around £3,000 in their current account.
Balance sheet: £500bn. Profits undisclosed, although it made a loss during reorganisation.
Employees: 2,000, very few of whom work outside the UK.
Key Personnel: Sir David Money-Coutts, chairman; Ian Farnsworth, managing director; Anthony Corin, head of finance; Nick Willmer, project manager for the Product and Customer Profitability Information Project.

TECHNOLOGY FILE

Software: On-Q from CSI, licensed for five users, installed Jan 1991, went live July 1991. On-Q is a marketing and management information database specifically designed for banks. It is written in Clipper V from Computer Associates and loads internal and external data for analysis.
Hardware: IBM top of range PS/2 computer, (Model 95 PS/2) as a server supporting five stations connected on a Novell network. The system handles two gigabytes of data.
Supplier: The developer and supplier of On-Q, CSI, was formed in the UK in 1990, and broke even in 1991 after an initial start-up loss of £43,000. Price Waterhouse has taken out a demonstration licence for the product.
Value of contract: In a total cost of £83,000, the product itself accounted for more than half at £48,000, with consultancy costing £20,000 and installation a further £15,000.
Maintenance costs: 16 per cent of annual licence.

Claire Gooding explains how Coutts Bank is using computers to assess the cost of its exclusive service, in a series on getting the most out of software

Putting a price on tradition

SOFTWARE AT WORK

A frock-coated gentleman seated at a computer is a commonplace sight at Coutts. The bank revels in a deliberate juxtaposition of old and new. The varnished 200 year-old Chinese wallpaper from a previous boardroom dictated the exact dimensions of the one so painstakingly reconstructed in its London headquarters.

Coutts prides itself on a different sort of service from the bustle of high-street banking. It preserves tradition, but at a cost. Known for its wealthy clientele, including the Queen, the bank now wants to know more about its customers: how much they are worth to the bank, and how much it costs to preserve its exclusive service.

In the late 1980s, Coutts had to respond to the commercial pressures imposed by its owner, National Westminster Bank. Julian Robarts, Coutts' managing director at the time, triggered a project known as Product and Customer Profitability Information (PCPI) to understand better where the bank makes its profits, whether it be in asset management or standard banking services.

"The bank recognised the increasing pressure upon it to improve profitability through a greater understanding of its business, and a need to streamline its financial reporting," explains Nick Willmer, the senior manager who leads the project.

The next concern was to understand individuals. "We're interested in the relationships, the connections between customers," explains Willmer. "We genuinely believe we look at every person to see whether they would bring the amount of business that would benefit us and benefit them."

This factor drives the account management at Coutts. It wishes to re-focus the business, which means dividing it into personal and commercial customers. Where an entire family is looked after by one account manager, these are bound to overlap, but it is still essential to determine a key factor and assign the account accordingly. "We need to recognise where the influences are, the driving forces, as it were, within the wider context," says Willmer.

Costing information did exist for some activities in the private banking sector. The length of time, skill of staff, and grades of staff needed to perform certain tasks were available. To define the "relationship" with the customer, Coutts needed similar and more detailed information on its advisory and investment work.

"What we have to have as a relationship bank is a complete picture of the profitability of the customers' activities. We need to know everything, and if we only know 70 per cent, we could be missing out on critical information," says Willmer.

Robarts' strict deadline of July 1991 ruled out a bespoke solution, which would have needed skills Coutts did not have and also demanded much management time. A package was likely to be quicker and cheaper, and Coutts started to search for a PC-based solution.

Local UK support was a priority. Willmer came across a new offering through a long-standing business contact who was now part of a start-up business, CSI. London-based CSI's On-Q package seemed to be a lucky find. "The people involved have worked in this field for 20 years, and it shows," comments Willmer. Despite his confidence in the people, he was taking a risk by hiring a company which had never undertaken a job of this size.

The package met Coutts' criteria for user-friendliness, data integrity and adaptability. It could hold data at a detailed level which made reports flexible. It also looked as though it could be successfully implemented using in-house resources, which was an important consideration for Willmer.

Where some would have rejected CSI and its product on the basis of its new and untried status, Willmer saw it as a positive advantage since he could input his own requirements into a piece of software which was still developing.

The aim was to look at the data by customer, instead of by account. This demanded the ability to summarise at customer level, which effectively meant starting from scratch. Much of the data was held in-house in NatWest systems, but not under Coutts' direct control.

CSI helped write interfaces to bring in static customer information. Although the bank is not given to using outside resources, it also enlisted help from Price Waterhouse in analysis.

The data is taken from bespoke in-house systems, such as a relational database running on a Dec Vax computer, and a wholesale banking system running on a McDonnell Douglas minicomputer. Sources include the bank's main transaction processing system, for information on income, balances, volumes of transactions, and a marketing database for static data about those customers. Cost information comes from computerised ledgers and payroll, with a minor amount coming from manual *ad hoc* records such as timesheets.

Willmer, who describes himself as "a sort of information man, a true hybrid", knew enough about system design to be convinced that CSI's product was viable. It has proved robust and bug-free, and he still says he could not have done better.

While the project works in one small corner of the bank, it draws on almost every area of operation. There is a reluctant recognition that it is necessary. "There is a natural resistance and fear of change in a company which prides itself on consistency of service to customers and its continuity of employment," comments Willmer.

The On-Q system was implemented by July 1991 on PCs that were later linked together on a Novell 3.0 network. CSI designed the system with the expansion of PC power in mind, and the limits on the number of customer details stored disappeared as larger PCs appeared.

The PCPI project demands some heavy manipulation of information, and despite "exciting" volumes of data, the system has proved reliable, if sometimes slow.

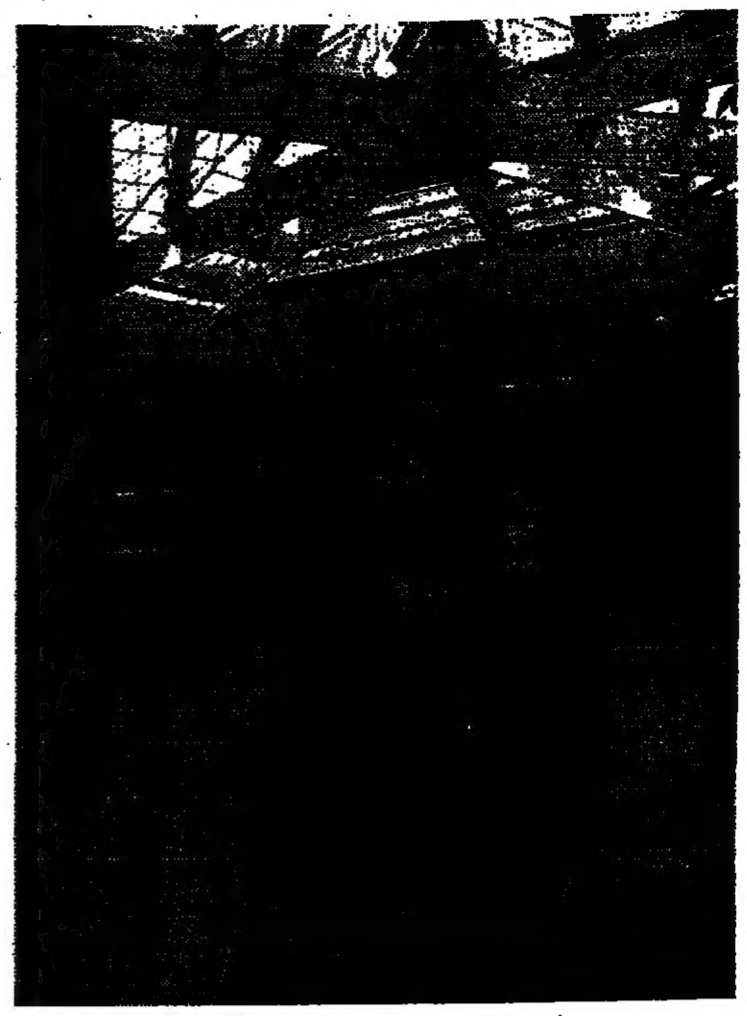
Inevitably, there will be some crossing of responsibilities and reporting, as account managers in one area will have to deal with issues in another to retain the personal service ethic. But the hope is that the customer profiles will become clearer cut.

The project is still in its early days. It has taken a painstaking approach to costs, using actual (not budget) figures, and reconciling exactly to official accounts, including all overheads, shown separately. There is sometimes resistance, according to Willmer: "People don't always understand the necessity of re-examining certain areas."

John Galley, manager of costing and profitability, sends summarised reports to 50 or 60 people. "We don't get as much feedback as we'd like, but that's part of the educational process," he says. Willmer expects the marketing users, only three at present, to refine and make selective choices as they begin to use the database properly. At present the reports go to about 20 senior managers, but he is hoping usage will percolate down.

"In future the data should change our marketing approach," he comments, "although we really need a full year's data to make sense of it." He feels Coutts has come a long way, and is ahead of the game, because people are beginning to understand the role of the system.

"The size of our customer base made it possible, but also made it more necessary. Some users are saying that they knew some of this information anyway, but now we have proof."


Nick Willmer: 'There is a natural resistance and fear of change'

CONSULTANT'S CRITIQUE

For many people, change is like bereavement – the loss is forever. Coutts is being dragged up to date by its parent, NatWest, which now demands a financial return.

In this case, the technology will only be constrained by a culture steeped in tradition. Employees wield power to resist change; such "negative power" may take the form of ignoring information or downplaying its importance.

Coutts depends upon gaining competitive advantage by differentiation. Many customers enjoy, and will pay for, the special cachet of banking there. But success lies in reducing costs on those items which do not matter to customers while not stinting on those that do. Coutts is just beginning to identify which clients or classes of business produce profit.

The Product and Customer Profitability Information (PCPI) system now has a year's data on which to base strategic decisions. I was very concerned, though, that some senior managers were allegedly consigning reports to the bin. While IT people often see this as resistance to change, it may indicate that the users' needs are not being met. There seemed to be little interchange between the development team and the managers that PCPI was designed to serve.

Without complete commitment from the top downwards and rapid response to feedback, the system is doomed. Nick Willmer seems to be driving the system forward on his own, which can feel like swimming against the tide.

I felt that Coutts might be making concessions to the 20th century but its heart is still entrenched in the values associated with its antique boardroom wallpaper. Any drive towards profitability will be resisted if it conflicts with tradition. To be truly successful, Coutts will have to instil a climate of change. This need not mean abandoning its culture but adapting and enhancing traditions that help the business as a whole.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

Cinema/Nigel Andrews

Back to the future with Ridley Scott

Hisses humanoid Rutger Hauer to Harrison Ford: "If you're not alive, you can't play!", explaining why he has spared his life. Shortly before this he has dislocated two of Mr Ford's fingers, thrown him across several rooms and then – just as a show of strength – butted his own head through a solid wall.

We are in L.A.'s famous Bradbury Building, circa 2020 A.D., and the plot is coming to the boil. Correction: the plot has already come to the boil, scalding all bystanders, and the screen is now thick with steam and precipitation. That the future world depicted in Ridley Scott's ten-year-old *Blade Runner* is unlike any other in film history we already knew. Rain drizzles; mist drifts; a benighted pall hangs over the streets. And four escaped androids from a distant space colony are making life hell for bounty hunter Rick Deckard (Ford).

If you're not alive, you can't play. But you have to be alive to odd things in this movie. One of them is not the plot. Scripted by Hampton Fancher and David Peoples from Philip K. Dick's quirky sci-fi novel *Do Androids Dream Of Electric Sheep* – the screenplay is desheeped and largely de-quirked – it is the old tale of the semi-retired *gunman called out for one more* mission. (For Western baddies read robot humanoids). He falls in love with one female "replicant" (Sean Young), perforates three others and has a climactic bash-out with the law.

No, the plot is futurist cowboys. If you want to play the *Blade Runner* game, you must be alive to the film's all-transcending images and rhythms. Restoring his movie according to his original vision, Scott has junked the studio-foisted voice-over that made Ford sound like a cybernetics-age Sam Spade. And he has also clipped off the "happy" ending. This had car-borne hero and heroine snaking into the countryside on an elopement idyll that seemed to come from another film. Indeed it did come from another film: the sequence consisted of out-takes from Kubrick's *The Shining*.

Now we have the harsh, distilled, majestic masterwork. Before "inner city decay" became a cant-phrase, Scott and designer Lawrence G. Paull invented this dazzling nightmare of rotting, marauder-haunted streets: a place where aerial cop cars float overhead, polluted rain cascades down and pyramidal skyscrapers reach for a non-existent light. It is Fritz Lang's *Metropolis* made for the age of colour, hi-fi sound and urban paranoia.

In the opening long shot of the city, chimneys belch fire like disconsolate dragons. In later low-angle vistas we squint up through the architectural chaos (Hispanic, Egyptian, Hi-Tech) to watch the lighted blimp loudhailing the joys of off-world life and the towering neon sign with a Japanese face smiling inanely into the void.

London, Shanghai, Hong Kong, *Tokyo, New York, Los Angeles*: give these cities 30 years to self-combust and *Blade Runner* could be the cinema's most prophetic blueprint of urban degeneration. Its images are no less tenebrously majestic when it steps indoors. The giant Theban terrace of the penthouse-dwelling robotics tycoon, lit by amber sunset and guarded by an amber-eyed owl. Deckard's flat, a rancid lemon daylight squeezing into the low-ceilinged interior built as if from Mayan playblocks. Or the toymaker's workshop in the Bradbury Building where the androids hide out. Here walking homunculi bash into doorframes, "living" dolls nod away in dazed serenity and the replicants find camouflage in a world of chalk-faced almost-humans.

Hard to review *Blade Runner* except as a shopping list of irresistible aesthetic bargains. The dramatic core that might homogenise them is not quite there. Only in the final minutes, as replicant Hauer gives up his fight in a dying epiphany of tender humanity, does the script soar and Scott's direction go with it. Suddenly we are looking at something more than inspired trappings: we are gazing into the souls trapped inside them.

BLADE RUNNER: THE DIRECTOR'S CUT (15)
Ridley Scott

TETSUO II: BODYHAMMER
Shinya Tsukamoto

OF MICE AND MEN (PG)
Lewis Milestone

THE WATERDANCE (15)
Neal Jimenez

RAPID FIRE (18)
Dwight H. Little

★

Anyone doubting *Blade Runner*'s influence on post-*Blade Runner* cinema should check out Shinya Tsukamoto's *Tetsuo II: Bodyhammer*. This unstoppably delinquent Japanese film is all about human beings who turn into guns, nay into entire walking armouries. From forearms transformed into gnarled machine-guns, or chests bristling with bazookas, they pump bullets into likewise metamorphic enemies.

But what captivates is the setting. It is the dank, dark, rain-gleamed metropolis of Ridley Scott's film, animated by such Scott specials as whirring ventilation propellers and hissing steam-jets. Modern Gothic at its most delirious, housing an Oriental thriller at its most demented.

★

What a pastoral contrast to wander into *Of Mice And Men*. Here the sun shines, the stream burbles, the corn is green. And if man is vile, it is not through deliberate evil: only because large physique and small intelligence make an unhappy combination. John Steinbeck's Lenny, for whom gestures of love turn into tragic death-hugs, is here played by John Malkovich. A lisping, pixillated giant with batting eyes and cupid's-bow mouth, he would be slightly camp if not more-than-slightly unnerving. The actor draws us into Lenny's baby intelligence – watch his mind tick s-l-o-w-l-y as he repeats the last words of every interlocutor's sentence – and then makes us emotionally complicit in his doom.

Malkovich is splendid. The rest of the film, alas, consists of actors reciting lines against scenery. Gary Sinise of Chicago's Steppenwolf Theatre co-stars as George and also directs, turning Steinbeck's story into a bland, up-market Classic Illustrated. The movie misses all the gnarled humanity that director Lewis Milestone brought to the 1939 film and that Burgess Meredith, that sulphur-powered gnome, brought to George. Ray Walston, Casey Sziemasko, Sherilyn Fenn and a rabbit comprise the new film's supporting cast. They all evaporate before Malkovich, and before the audience's awareness of what might have been.

★

A bad film about the maimed or disabled has an unfair advantage. It knows we cannot slam the door in its face *quite* so readily as we would on a bad film about, say, murder, car chases or sicko cops. *The Waterdance* is written and co-directed (with Michael Steinberg) by Neal Jimenez, who scripted that teasing fable of small-town guilt and gossip *River's Edge*. A real-life paraplegic, he has poured his own experiences into this story of life in a rehabilitation centre where a spine-injured novelist (Eric Stoltz) *meets up with a crippled biker* (William Forsythe) and a chattering black con-man (Wesley Snipes).

But oh dear. Sometimes when you pour your experiences into something, they spill over and require much mopping up by non-responsible parties: in this case the audience. *The Waterdance*, apart from being about "the unceasing tenacity of the human spirit" (to quote the press notes), is about the difficulty of reconciling realism with Hollywood inspirationalism. Feints are made at frankness, especially about the sexual plight of the crippled. But long before curtain-time the film has withdrawn into a narcotic buddyism, where the brute facts of paralysis are anaesthetised by funny subplot capers in wheelchairs or hi-jacked hospital vans.

Rapid Fire at least has the courage of its conventions. Roll up – or possibly roll over – for 95 minutes of foot-kicking, fist-flying frolics with Brandon Lee, *son of Bruce*. The direction (Dwight H. Little) is basic, the plot more so. But on this showing Lee is the new Nijinsky of the bare-knuckle B-movie.

A prophetic blueprint for urban degeneration: Joanna Cassidy as Zhora in 'Blade Runner'

Ballet/Clement Crisp

Mark Morris's 'Motorcade'

The first thing that has to be said is that London Contemporary Dance Theatre is an ensemble of dancers at the peak of their stunningly good form. At the opening of the company's autumn season at Sadler's Wells on Tuesday night, movement had a lightning-flash energy, and a hard-driven rhythmic pulse.

For this reason alone, Arnie Zane's pointless *Freedom of Information* was exciting to watch as the evening began. The dance is incoherent, a cascade of cheap-jack incidents that whip the performers' bodies in every direction, but there must be laurels for Peter Dunleavy, Isobel Mortimer, Andrew Robinson, Isabel Tamen, Sheron Wray, and especially to Kenneth Tharp as the whizz-kid of the karate chop, for the sophistication of their performances, witty, bright-cut, hair-trigger fast.

A similar verve – LCDT's artists seem able to rip into a dance phrase, explore its possibilities, and come out on the other side with gleaming ease – marked the first London showing of Christopher Bruce's *Rooster*. This uses eight songs by the Rolling Stones for a romp which examines the social and sexual attitudes of the young to whom such stuff is food and drink. (There were quite a few of them in the audience, yipping with delight at what they saw and heard). The opening *Little Red Rooster* shows four men strutting in barnyard display; later numbers reveal how well Bruce writes for men – from the flashy, knowing show-piece for David Hughes (excellently done), to a more urgently emotional number for Darshan Singh Bhuller, through which he curved and spun in a vivid combination of power and suppleness. The four women are less well served, though Sheron Wray, heroine of the evening in three works, has a mercurial speed and whirlwind temperament that give savour to everything she dances.

The major choreographic matter came with Mark Morris's *Motorcade*, made for the White Oaks project two years ago, and his first piece to be staged by a British troupe. The text is Saint-Saëns trumpet septet. It is clearly a score in which Morris finds much to delight him: its exemplary craft, its melodic freshness, its clarity of form, even a certain *Ecole Pompier* academism. Such felicities have led Morris to what was known in the earliest days of American modern dance as "music realisation". Not, though, for Morris any step-for-note trippings. Rather does he find curves of movement, swathes of energy, entrances and poses, balances and counter-weights of activity, which spring out of the music's development, match its devices and decisions, illuminate them.

I thought it beguilingly made, modest, elegant in means as Saint-Saëns' own procedures. I also thought it could be better danced. To make such choreography live, performance must be as acute and musically witty as Morris's own conceits. LCDT's cast were not uniformly alert, nor as "inside" the music and dance as Morris's own artists always appear to be. The costuming is depressing: pastel vests and leotards that end fatally at the knee, with dainty shoes: the dancers look like discomforted elves – and some of them rather bulgy elves at that. But it is a notable addition to the repertory, and worth polishing.

London Contemporary Dance Theatre continues at Sadler's Wells until December 5: varied repertory.

Huddersfield looks to Europe

Andrew Clements finds the potentially most fascinating pieces to be thoroughly dispensable festival chic

Britain's leading new-music festival, its *only* annual new-music festival, has a lively, cosmopolitan look for 1992. In previous years the Huddersfield Festival of Contemporary Music has alighted upon a small group of composers to be surveyed and explored, with other unrelated events clustered around the thematic centres. This time the net appears to have been cast wider: the celebrations are less intensive but there are more of them, mixing the familiar mainstream with the less well known – a visit from Berio to conduct his own music, tributes to Xenakis at 70 and to the late John Cage, alongside introductions to the music of the Italian Franco Donatoni, the Swiss Klaus Huber and the French Gérard Grisey, and updates on the progress of David Bedford and Mark-Anthony Turnage.

There genuinely is something for everyone during the 11 packed days, and the happy mix of audiences – London new-music groupies with students from the newly chartered Huddersfield University as well as local concert-goers – testifies to its broad appeal. This year too the festival has a glossier, more costly look, for fortified by funds from the European Arts Festival, the director Richard Steinitz has been able to import three ambitious evenings straight from the Continental festival circuit that would normally lie well outside his orbit. Next weekend will bring the British premiere of Georges Aperghis' music-theatre extravaganza *H*, while the festival has already experienced Grisey's *Le Noir et l'étoile* and the Xenakis-inspired *Tale of a Faust*.

Both events, in prospect the most fascinating items in the Huddersfield schedule, proved substantial disappointments. Grisey is an interesting figure whose music remains relatively unexplored here; Xenakis's potential as a dramatic composer has never seemed fulfilled. But it would be hard to decide which of the shows to which their names were attached here was the more flimsy and shallow; both were expensive festival chic of a thoroughly dispensable kind.

Grisey's piece at least had the merits of consistency and purpose. Performed by Les Percussions de Strasbourg before a capacity audience in the Huddersfield Sports Centre, *Le Noir et l'étoile* uses the sounds of two deep space pulsars as detected and transformed by radio telescopes as the numinous basis for a hour-long discourse. One of these stellar sounds arrived by high-definition BT cable direct from Jodrell Bank, the other, a Southern Hemisphere source, had been preserved on tape. The percussionists used headphones, presumably to align themselves with these heavenly clicktracks and from time to time "windows" opened in the textures, allowing the listeners a sample of this arcane source.

Yet the musical function of these pulses, other than as evocative sound objects, was never made clear and the pseudo-theatrical trappings – artily positioned canvas drapes, light show, smoke machines – added little to what was a routine display of Strasbourg virtuosity, with calls and responses across the arena, complex rhythmic assemblages and massive explosions. Grisey is a better, more thoughtful composer than he allows himself to be in this work.

In *Tale of a Faust*, Xenakis's direct involvement was hard to establish. He certainly supplied the music, recycled from a clutch of existing pieces including the choral *Nuits* and *Serment*, the percussion *Rebonds*, and the baritone and percussion *Kassandra*. But other hands (Didier Bétourné and Zoé Fachan) appear to have fashioned them, piecemeal, into this specious scenario which portrays Faust as a solo percussionist, Mephistopholes as baritone and Marguerite as a trapeze artist. The chorus wanders around looking by turns mildly interested and thoroughly bored.

It is a totally pretentious and musically cosmetic piece of opportunism, relying on spectacular *coups*, especially some heart-stopping trapeze work *from Véronique Bétourné*, and torrential percussion playing (from Roland Auzet) to make its effect. The relationship between Xenakis's music and what unfolded on the stage of Huddersfield Town Hall seemed pretty tenuous; it was not one of the festival's more successful forays into the dimly defined world of contemporary music theatre.

New York opera/**Paul Griffiths**

A scandalous 'Lucia' at the Met

It is almost as if Pope Leo the Great had gone out with open arms to welcome the Huns into the city. James Levine, custodian of the Metropolitan Opera's comforting-splendiferous style of production, was apparently responsible for inviting a new staging of Donizetti's Walter Scott opera from (perhaps he had in mind current feminist critiques of the doomed nightingale heroines of 19th century lyric tragedy) Francesca Zambello.

It was, in its way, an astute move. Ms Zambello is not easy *to categorise as a stage artist*: she can be curious and inventive; she can also lay on, as she demonstrated in the Earl's Court *Tosca* of last year, the grand show. This *Lucia* is again a grand show, with its set (by John Conklin) of huge falling rectangles of gothic masonry and grey graves. But Ms Zambello must have realised she was there to create a scandal, and this is what she does – though it is a scandal that is forced and desultory, perhaps because of the pressure.

It is a scandal that discloses itself only gradually. Apart from the ruined churchyard setting, and the fact that the chorus has been banished to the pit (where it remains throughout) while the *huntsmen of Lammermoor are* whiskery mutes forming geometrical patterns of grey plaid, the first act is pretty straightforward. Things start to get bizarre in the middle of the next act, when Arturo, the chosen bridegroom, arrives rising on a lift, vested in the puffed-up cream and gilt of the Ingres portrait of Napoleon in coronation robes. *Hi is, Ms* Zambello explains, "the very emblem of the corrupting, wealthy lord", though the effect is rather to elicit sympathy for a creature so obviously being emblazoned with an image he cannot support. Then comes bathos. "Where is Lucia?" he asks, and the titters from the audience provide the answer that she is lying on the ground ten yards *from him, in a dress of* sapphire strident against the general gloom.

Ms Zambello's bold rethinking, let us say, of entrances and exits continues in the next act, where Lucia enters a deserted stage for her mad scene. There are no onlookers to be shocked, and thereby to shock the audience into a state of shock. Nor is there anything very shocking to be seen: no gore, just a lady in a white shift who looks angelical and expressively neutral. When she does eventually daub herself with a little crimson paint, from out of one of the tombs, one wonders why.

This icy interpretation, if that is what it is, at least accords with June Anderson's *vocal performance. She can cut* any kind of figure above the stave with perfect accuracy; she can decorate, as she does in the first act, with exciting virtuosity; she can produce long single notes (in the slow triple-time part of the first-act solo) like diamonds; she can float at the top of the sextet with strainless grace. The absence of anything physiological in her singing is astonishing, and on those terms her performance is a triumph.

Richard Leech as Edgardo is a different sort of character: ardent and engaging, maintaining a consistent strength of enthusiasm, and yet eager too for beauty of sound and line. Paul Groves provides a marvellously sophisticated and beautiful performance as Arturo, putting the production to shame for foisting such an absurd visual persona upon him. Juan Pons *is gravely noble and musical as* Enrico: there are no villains in this view. The orchestra takes every opportunity for breadth and richness of tone, with the horns and solo cello deserving as much credit as the harp of balladry and the will-o'-the-wisp flute of the mad scene, and yet Marcello Panni, the conductor, will keep urging them to thrust.

INTERNATIONAL

ARTS GUIDE

■ BOLOGNA

The 1992-3 opera season at the Teatro Communale opens on Sat with a new production of Götterdämmerung conducted by Riccardo Chailly and staged by Pier'Alli. The cast includes Siegfried Jerusalem, Matti Salminen, Sabine Hass, Florence Quivar and Hartmut Welker (repeated Dec 1, 3, 6, 9, 13, 15, 18). The season also includes Monteverdi's Coronation of Poppea, Cimarosa's Amor Rende Sagace, Simon Boccanegra, Adriana Lecouvreur, Rigoletto and a Stravinsky double-bill (529999)

■ DRESDEN

● Tonight's performance at *the Semperoper* is Cosi fan tutte. Tomorrow: Hansel and Gretel. Sat and next Wed: Arabella. Sun: Evgeny Onegin (484 2731)

● Mario di Bonaventura conducts the Dresden Philharmonic Orchestra on Sat and Sun at the Kulturpalast in a programme including Respighi's Piano Concerto (Martino Tirimo) and Roy Harris' Third Symphony. Dec 5, 6: Kolja Lessing plays Berwald's Second Violin Concerto (486 6306)

■ FLORENCE

Teatro Communale 21.00 Coppelia staged by Evgeny Polyakov. Daily except Mon till Dec 11 (277 9236)

■ THE HAGUE

Dr Anton Philipszaal 20.15 Labèque Sisters play piano duos by Mozart, McLaughlin, Monk and Camilo. Sat: Ingo Metzmacher conducts Hague Philharmonic Orchestra in a programme including Ives' Fourth Symphony. Next Wed: Cyprien Katsaris piano recital. Next Thurs and Fri: Mikhail Rudy plays Rakhmaninov's Second Piano Concerto (360 9810)

■ LONDON

THEATRE

● Hay Fever: Maria Aitken and John Standing star in Noël Coward's comedy of manners, the epitome of 1920s English comedy. Opens tonight (Albery 071-867 1111)

● Carousel: the much-loved Rodgers and Hammerstein musical starts previews at the Lyttelton on Tues, Press night Dec 11. This is a major new production directed by Nicholas Hytner, with a cast led by Patricia Routledge (National Theatre 071-928 2252)

● Macbeth/The Tempest: two of Michael Bogdanov's English Shakespeare Company productions in repertoire (Royalty 071-494 5090)

● Annie Get Your Gun: Broadway star Kim Criswell stars in the wild west story with hummable Irving Berlin songs. Just opened (Prince of Wales 071-839 5987)

● Lost in Yonkers: Maureen Lipman in Neil Simon's Broadway hit about two young boys unwillingly dumped with their tyrannical grandmother and emotionally arrested aunt in Yonkers, New York, in 1942 (Strand 071-930 8800)

● The League of Youth: Ibsen's ironic comedy, staged by the Guildhall School of Drama as part of the Barbican's Scandanavian arts festival. Tomorrow and next Mon-Thurs only (Guildhall Theatre 071-638 8891)

● *An Ideal Husband: a Peter* Hall Company production of Oscar Wilde's comedy (Globe 071-494 5067)

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

OPERA/DANCE

Covent Garden Tonight's performance is Kenneth MacMillan's Mayerling (also next Wed). Tomorrow: Sian Edwards conducts revival of Nuria Espert's production of Madama Butterfly, with Yoko Watanabe and Arthur Davies (also Mon and Dec 3, 8, 11, 14, 17). Sat: Bernard Haitink conducts John Cox's new production of Die Frau ohne Schatten designed by David Hockney. Next Tues: Swan Lake (071-240 1066)

Coliseum Tonight's performance is the last in the current run of David Pountney's production of Wozzeck, with Donald Maxwell and Kristine Ciesinski. Tomorrow, next Tues, Thurs, Fri: Ken Russell's new production of Princess Ida (071-836 3161). Dec 8-Jan 2 at Sadler's Wells: London City Ballet in Romeo and Juliet (071-278 8916)

CONCERTS

South Bank Centre In tonight's Bach Choir concert, David Willcocks conducts sacred works by Howells, Poulenc, Duruflé and Messiaen. Tomorrow: Robert Cohen plays Bliss' Cello Concerto in an RPO programme conducted by Barry Wordsworth. Tomorrow in QE Hall: Irina Arkhipova song recital. Sat: *Mariss Jansons conducts LPO*, with piano soloist Stephen Kovacevich. Next Tues: Concert performance of Fidelio with Jane Eaglen and Willard White. Next Wed: James Levine conducts Vienna Philharmonic Orchestra. Next Thurs in QE Hall: William Christie conducts Les Arts Florissants. Dec 3, 7, 8: Haitink conducts LPO (071-928 8800)

Barbican In tonight's LSO concert, Colin Davis conducts an all-Sibelius programme, with soprano soloist Karita Mattila (the Davis/LSO Sibelius cycle continues on Sun, also Dec 6 and 10). Tomorrow: Andrew Davis conducts BBCSO in works by Stenhammar, Nielsen, Magnus Lindberg and Jan Sandstrom. Sat: Rattle conducts Nielsen. Sun at St Giles, Cripplegate: Sibelius' opera The Maiden in the Tower. Mon: Yuri Bashmet. Next Thurs: Pasadena Roof Orchestra (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Tonight's concert by Queen Sofia Chamber Orchestra includes music by Boccherini and Vaughan Williams. Tomorrow, Sat, Sun: Jerzy Semkov conducts Spanish National Orchestra in Sibelius' Violin Concerto (Agustin Leon Ara) and Brahms' Second Symphony. Next Thurs: Angel Jesus Garcia plays Bach violin concertos with Madrid Chamber Orchestra (337 0100)

■ PRAGUE

CONCERTS

Jiri Belohlavek conducts Czech Philharmonic Orchestra tonight and tomorrow in Dvořák Hall, in a programme including Mahler's Rückert Lieder (Marta Benackova). Next Tues: Kubinov Trio plays piano trios by Mozart and Dvořák. Next Wed: Belohlavek conducts music by Copland, Bernstein, Ives and Gershwin (286 0111) Next Wed in Smetana Hall: Pavel Kuhn conducts Poulenc's Stabat Mater and Martinu's Gilgamesh (232 2501)

OPERA

The National Theatre has Smetana's Dalibor tonight, Dvořák's The Devil and Kate on Sat, La bohème on Sun and Giselle on Mon (205364). The Estates Theatre has a ballet gala on Sat (228658). The Prague State Opera repertory includes Madama Butterfly, Tosca, La traviata, Ambroise Thomas' Mignon and Les Contes d'Hoffmann (269746)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

■ STOCKHOLM

● The Royal Opera has Suppé's operetta Boccaccio tonight, tomorrow and next Thurs, Tosca on Sat afternoon and Mon evening, and Ingvar Lidholm's new Strindberg opera A Dream *Play on Tues. The next new* production is Cav and Pag, opening on Dec 17 (248240)

● Esa-Pekka Salonen conducts the Swedish Radio Symphony Orchestra in symphonies by Haydn and Sibelius tomorrow evening at Berwaldhallen. Sat afternoon: Swedish Radio Chorus. Sun afternoon: Franz Welser-Möst conducts Stockholm Chamber Orchestra in works by Dvořák, Haydn and Handel. Mon evening: Mellersta Osterbottens Chamber Orchestra plays works by Mozart, Bartók, Per Hendrik Nordgren and Anders Eliasson (784 1800). Dec 8, 9 at Konserthuset: Vladimir Ashkenazy conducts Stockholm Philharmonic Orchestra (244130)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
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Thursday November 26 1992

Saving the ozone layer

INTERNATIONAL conventions on the environment are too prone to self-congratulation. However, after this week's United Nations conference in Copenhagen on the ozone layer of the atmosphere, congratulation is deserved. The 1987 Montreal Protocol phasing out production of chemicals that damage the ozone layer was tightened for the second time. It stands as one of the world's most successful responses to an environmental threat.

The thinning of the protective ozone layer, which shields both people and crops from the sun's harmful ultraviolet radiation, was detected only in 1985. But reaction has been faster than that to other perceived threats, partly because scientists were confident about the part played by man-made chemicals, and partly because chemical companies moved quickly to develop substitutes.

The main achievement in Copenhagen was to bring forward the phasing out of chlorofluorocarbons (CFCs) – the most damaging chemicals, used in air conditioning and refrigeration – by four years, to 1996 in industrialised countries and 2006 in developing countries. The conference was right too in taking a first step towards regulating methyl bromide – a substance used to preserve fruit and grain, whose ozone-depleting potential was only recognised six months ago.

These measures fall short of those demanded by some countries, including the UK and the US, but they still come at considerable cost. The US has put the cost to itself of complying with the original protocol at $35bn over the next century, and that of the acceleration agreed this week at an additional $2bn. On its estimate that the new deadlines will prevent 10,000 US cancer deaths, this represents $200,000 for each life saved.

Nevertheless, the signatories should now take other steps. In particular they need to look at the administration of the international fund set up in 1990 to help developing countries adapt. Parties to the protocol have pledged $240m to cover the costs for 1991 to 1993, and in Copenhagen they committed $500m more for 1994 to 1996. The need is clear: UN figures say that although developing countries consume some 20 times fewer CFCs than industrialised countries overall, their consumption rose by 50 per cent between 1986 and 1990, while that of industrial countries fell by 30 per cent.

In spite of this, the fund – administered by the World Bank and the UN's environment and development programmes – disbursed only $70m in 1991 and 1992, on studies and administration. No ozone-saving projects have started. The fund's pace needs to be stepped up, as promised, by the time the parties meet again next year. Signatories also need to improve scientific research and communicate its results to the public more effectively. The ozone hole has captured the public imagination, but ozone depletion is not as predictable a phenomenon as is sometimes portrayed.

The Copenhagen conference demonstrates that rapid global agreement on pressing environmental problems can be achieved. That should encourage the international community as it moves on to larger, more complex and more politically difficult challenges like global warming.

Nigeria's crisis

PRESIDENT IBRAHIM Babangida has decided to ignore the well-known advice to anyone who finds himself in a hole: stop digging. Instead he chooses to pursue a flawed transition to civilian rule, while neglecting the economic reform programme he himself launched in 1986.

President Babangida's decision last week to delay the handover to a civilian government by eight months is understandable, given the vote-rigging that marred the presidential primaries. But the problems at the heart of Nigeria's search for democracy are not that readily resolved; and in the meantime the country's debt crisis deepens. If delaying the handover also means ducking tough economic decisions, Nigeria's prospects are bleak indeed.

The president set himself a Herculean task when he launched Nigeria's transition to civilian rule in 1986, given the country's tumultuous post-independence record. He made it no easier, however, by imposing his version of democracy, banning former politicians and office-holders from taking part in the transition, and proscribing the 13 new parties that emerged. In their stead he presented Nigerians with two parties, created by civil servants, their manifestos written by bureaucrats. Last week President Babangida continued to dictate his terms, banning the 23 presidential contestants from the new search for his successor.

On the political front, the die may be cast. At best, Nigerians can hope for the installation next August of a weak administration. The new government's chances of survival will be poor; they will be even bleaker if President Babangida fails to act on the economy.

The structural adjustment programme he launched in 1986 has buckled as corruption increased, election spending soared, and Nigeria's share of the costs of West African military intervention in Liberia rose. An IMF agreement lapsed last April, and service payments on Nigeria's $30bn external debt are unmanageable. Without urgent rescheduling, the economic crisis will deepen.

President Babangida's opportunity to act comes on January 1, when he presents the 1993 budget. He must redouble efforts to put the reform programme back on track, spurred on by the IMF and Nigeria's creditors. Both sides should resist the temptation to delay action and pass responsibility on to the president's successors. Seizing the opportunity has its own perils; failure to do so would court disaster.

Market-testing

YESTERDAY'S announcement that more than 44,000 jobs in the UK civil service are to be put out to tender is good news for companies that are well-placed to bid for the contracts. In a recession where spotting green shoots requires keen eyesight, the prospect of almost £1.5bn of new business in the next 10 months is welcome. But it is also good news for the taxpayer, who can expect significant savings in public expenditure – and better quality public services to boot.

Contracting out local government services such as street cleaning and refuse collection is now well established and widely accepted as a discipline for ensuring value for money. In most cases, the contract is awarded to the council workforce – only one in five contracts ends up in the hands of private contractors. But even where the work stays in-house, the threat of losing it is persuasive in improving the efficiency and quality of services.

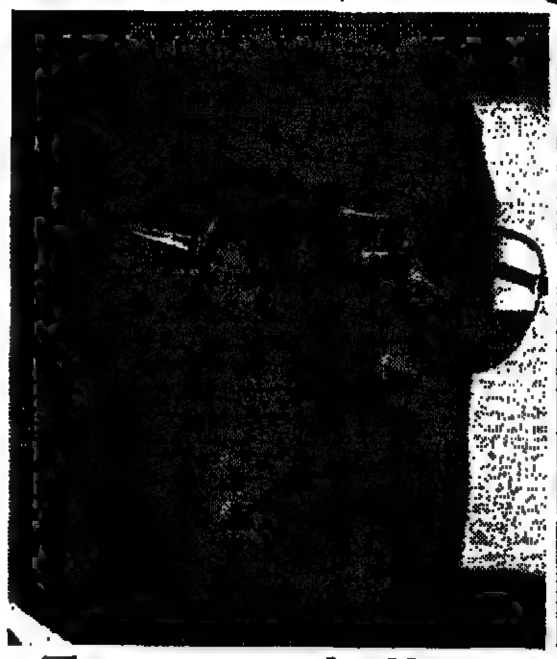
Such benefits will now be enjoyed in central government, so government services is a significant element in the prime minister's drive to improve their quality through the Citizen's Charter. It is part of the move away from providing central government services through a homogenous civil service, a large bureaucratic machine designed to administer rather than manage, where policy-making skills are more important than management ability.

Instead, the emphasis is increasingly on government by contract: public services will be provided by specialist organisations, to clearly defined standards which are set out in contractual agreements. Those organisations may be companies in the private sector, executive agencies, management buy-outs or the current staff reorganised on more business-like lines. But the separation of purchaser and provider through the medium of a contract for services allows a much stronger focus on the quality of service, as the experience of the health service shows.

Drawing up the list of targets – and persuading departments to be

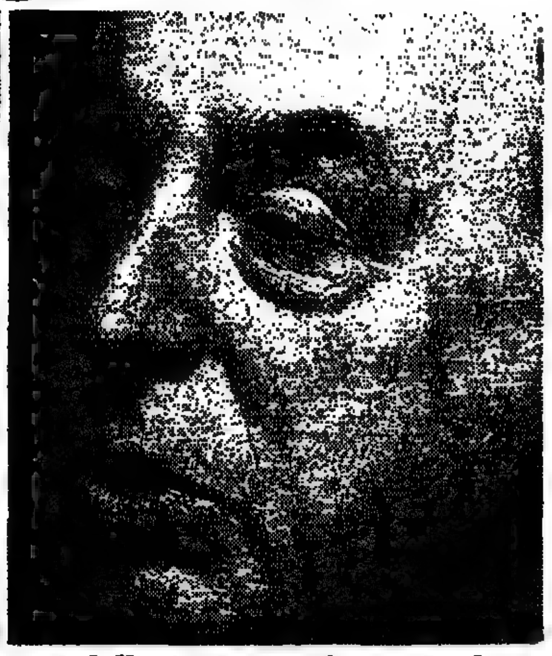
Financial self-regulation in the UK is facing mounting calls for reform, say **Norma Cohen** and **Peter Martin**

Back to the drawing-board



'The government should now acknowledge that the experiment has failed and begin to organise investor protection on a fully statutory basis under direct government control'

Mike Newmarch
Prudential chief executive



A full, single regulatory body 'seems ultimately to be inevitable. To end the fatigue of regulatory change, perhaps the time has come when we should take this step with one bound'

Lord Alexander
NatWest chairman

Eleven years ago, the City was thrown into protracted wrangling by the government's appointment of Professor Jim Gower to recommend how the UK financial services industry should be regulated. His report, and the rancorous debate that followed, led to the Financial Services Act of 1986 and the painful transformation of the investment industry's regulatory structure.

After that gruelling experience, the last thing you might expect is that City grandees would be calling for another wholesale redesign of the regulatory system. Yet that is exactly what an increasing number of influential figures say they want.

More surprising still, some want to undo the City's main achievement last time round – keeping the government at arm's length through a system best described as self-regulation within a statutory framework.

Listen to Mr Mick Newmarch, chief executive of Britain's largest life insurer, Prudential Corporation: "The Financial Services Act is an unsatisfactory basis for the adequate protection of savers."

He went on to attack the principle of self-regulation: "The government should now acknowledge," he said, "that the experiment has failed and begin to organise investor protection on a fully statutory basis under direct government control."

Lord Alexander, chairman of National Westminster Bank and perhaps the City's most experienced lawyer, also wants to sweep away the present collection of self-regulatory agencies. A powerful single regulatory body "seems ultimately to be inevitable", he says. "To end the fatigue of regulatory change, perhaps the time has come when we should take this step with one bound."

The regulators themselves join the chorus. "Self-regulation is drinking in the last-chance saloon," says Mr Christopher Sharples, chief executive of the Securities and Futures Association, the self-regulatory body for wholesale financial service firms.

And Mr Andrew Large, chairman of the Securities and Investments Board, the central self-regulatory body, is likely to urge big changes in the system when he completes his current review of the way it works, commissioned by the Treasury in July.

Dissatisfaction with the present system stems from the way in which it tries – and too often fails – to tackle three separate issues. The regulatory structure is supposed to root out fraud; to ensure consumer protection and fair dealing for the millions of retail customers of financial services businesses; and to supervise a range of complex wholesale financial markets.

On all three counts, it is failing:

● Fraud. The most spectacular recent failure was the ease with which the late Robert Maxwell, using a regulated fund management company which he controlled, was able to walk off with more than £400m of money from pension schemes, threatening the old age of more than 20,000 former employees. The Maxwell case revealed poor performance by Imro, the self-regulatory body that watches over fund managers. More important, it highlighted the fact that the reforms of the mid-1980s had left a big gap: they did not provide a strong legal structure for pension funds, something the Gower report had explicitly called for.

The Maxwell case aside, there have been serious criticisms of the way investigations that may culminate in allegations of fraud are handled. For a suspected fraud involving trading in the shares of a quoted company, for example, investigators from the Stock Exchange, the Securities and Futures Association, the Securities and Investments Board, the City police fraud squad, and the Serious Fraud Office may all be involved, with final decisions on prosecution taken by the head of the SFO and the Director of Public Prosecutions.

The result – as in the Blue Arrow case – is long-drawn-out investigations, a huge number of charges, and cases that drag on for years. The current system of prosecuting suspected wrongdoers, says Lord Alexander, is "slow, expensive and unpredictable . . . It is unfair both to the public and the accused."

● Consumer protection. From the outset this has proved contentious. Prof Gower was determined to bring the marketing of retail investment products, such as insurance, into the supervisory net. Initially, the government planned a self-regulatory body called the Marketing of Investments Board to handle this, but – after worries it would lead to fragmented supervision – it was eventually merged into the SIB.

The debate about standards of consumer protection continues: the Office of Fair Trading, the competition watchdog, has repeatedly asked SIB to revise its disclosure rules for commission payments on life assurance policies, and may yet urge the chancellor to reject them.

And, while the rules applying to all businesses under the Financial Services Act are broadly equivalent, different SROs enforce them with varying degrees of vigour. For instance, Lautro, which supervises the life insurers, has insisted that its members make refunds to people who have been sold inappropriate personal pensions. Fimbra, the self-regulatory body for independent financial advisers, and SIB have told the firms they directly regulate to adopt new guidelines for the sale of personal pensions, but have not asked them to make refunds for policies mis-sold in the past.

The crisis of the regulatory system has not come to a head over consumer groups' complaints, but over the need to salvage Fimbra. It has been unable to raise enough money from members to regulate its patch effectively or to make its full share of contributions to the Investors Compensation Scheme. SIB's solution, a merger of Fimbra with other self-regulatory bodies to form a new Personal Investments Authority, has proved extremely unpopular with big banks and insurance companies, and has led to the current calls for change.

● Wholesale markets. Here, the record of the reforms has been best. The government decided that stronger supervision of wholesale markets was necessary to cope with the influx of international firms into London's securities markets as a result of Big Bang, the wave of deregulation going on at the same time as the debate over regulatory reform. Initially, the new regulators' approach – very detailed rulebooks and a strong emphasis on legalism – was resented by the City, because of its costs and complexity. After a change to simpler rulebooks was introduced by Sir David Walker, the second chairman of SIB, some of these complaints have lessened. But there is still a feeling that the system is unnecessarily complex, with too many bodies sharing responsibility, and too few really first-rate people taking part in self-regulation.

These are the arguments mustered by those who push for sweeping regulatory reforms. There is also a healthy amount of commercial self-interest, however, in the call for change. The row over the PIA, which has brought the debate over the future of regulation out into the open, is a good example.

There has been intense wrangling over the size of the PIA's board and just whom should sit on it. Set at 30 members, it is designed so that neither life insurers, IFAs or public interest members have a majority.

But that balancing act, as unwieldy as it is, has still not guaranteed the success of the new body. For the life insurers, who have subsidised both the operating costs and ICS contributions of Fimbra members, have said they will not join unless 95 per cent of all the firms in retail financial services join as well.

And that means the banks and building societies who are encroaching on life insurers' territory with increasing confidence and efficiency. The banks, for their part, have chosen to be regulated by the SIB directly, and see no reason why they should join. "Why should we bail out the independent financial advisers who are selling the products of the life insurers?" said one banker involved in the discussions.

Even if the PIA gets off the ground, it may not serve the interests of the investing public. Last week, Ms Julia Leisching, chief policy and administration officer at Lautro announced she would not serve the new PIA because too little thought was being given to improving consumer protection.

Investor protection was the theme stressed in the second reading of the Financial Services Bill by an obscure Conservative backbencher, Mr Anthony Nelson. "Supervisory boards and self-regulating organisations historically have been and remain too practitioner-oriented and cosy," he said. "The principal function of both the designated agency [SIB] and the SROs should not be to provide an easy working machine which is not subjected to criticism. Their principal objective is to protect investors. Their face must always be pointed towards the investor, and they must apply that criterion to every decision."

Mr Nelson, by a happy chance, is now in a position to do something about putting his strongly expressed views into practice. He is the minister at the Treasury responsible for the supervision of the financial system.

He will soon be weighing up Mr Large's review and deciding whether to try to put the whole system back into the melting pot. The issues he will have to face are these.

First, is the current system working well, apart from the problem of supervising independent financial advisers? If that is the only substantial problem, then steps may have to be taken to force a solution, perhaps by withdrawing the right of a financial services firm to choose its own regulator and obliging the banks and insurers to join the PIA.

If he decides there is a more widespread problem with the system, he will have to consider how to resolve it. The more sweeping proposals – Mr Newmarch's wish for direct regulation of the insurance industry by the government, for example, or Lord Alexander's call for a single regulator with powers to levy heavy civil penalties on miscreant firms and individuals, in parallel to any criminal proceedings – will certainly require more legislation.

Such a revised act would need to fit with the recently agreed EC Investment Services Directive. It would require a new institutional structure, with fresh efforts to balance the participation of practioners with the day-to-day efforts of full time regulators.

Mr Nelson and his advisers may well blanch at the thought. But they may have little choice but to contemplate it. With such heavyweight figures in the City coming out so publicly in favour of change, the present system may be dangerously close to the limits of its credibility.

BOOK REVIEW

King of the cat-fight

KINGS ON THE CATWALK – THE LOUIS VUITTON AND MOET-HENNESSY AFFAIR
By Hugh Sebag-Montefiore
Chapmans £9.99

There are few things that the French consider to be as important as lunch. The staff of Christian Dior ought therefore to have guessed that something was awry when Bernard Arnault, their new boss, brushed aside a lunch invitation from one of them with a dismissive: "What have we got to talk about?"

Spurning lunch was only the start. In the seven years since he took over Christian Dior, the French fashion house, Arnault has presided over a string of hirings and firings. Marc Bohan learned about his 'resignation' as chief designer in a trade paper. He had worked at Christian Dior for almost three decades only to be "thrown out as brutally as . . . an incompetent valet", or so he said at the time.

Arnault haunts every page of Hugh Sebag-Montefiore's Kings On The Catwalk. The subject of the book is the fight for control of the Louis Vuitton Moët-Hennessy (LVMH) luxury goods group in the late 1980s. Its sub-plot is the apparently relentless rise of Arnault, the provincial property developer who, at 42, is now one of the most powerful players in the international luxury goods industry.

The cast list appears in the opening chapter when the leading actors

fingers and his slightly dreamy expression".

The plot is as follows. Racamier masterminds a merger between the Vuitton businesses and the Moët-Hennessy drinks empire run by Chevalier. They fight for power. Racamier ropes in Arnault, who has made his name in French finance by buying up businesses, including Christian Dior, hoping he will be an ally.

That proved a big mistake. Far from being an ally, Arnault, aided and abetted by his banker, Antoine Bernheim of Lazard Frères, seizes control of LVMH in a series of share raids, boardroom battles and legal attacks. Chevalier resigns. Racamier battles on until April 26 1990, when he loses the final legal fight to Arnault and his wife, Odile, is led sobbing from the offices of the company her great-grandfather had founded.

Kings On The Catwalk is strong on anecdotes. There is a wry

advisers pouring scorn on the opposition and the wooing of the founding families by the competing camps. Finally, the book offers an exhaustive account of who bought which blocks of shares when, and why.

The book's weakness is that it fails to analyse the long-term consequences of the LVMH conflict, either for French business or for the international luxury goods industry.

The LVMH affair formed part of a general process of consolidation in the luxury goods sector during the 1980s. This has raised the financial stakes in the industry by heralding a new era of expensive advertising campaigns, spiralling fees for supermodels and ambitious product development programmes. As a result the Arnault companies and their competitors are now trapped in a vicious cycle of escalating overheads in an increasingly competitive sector.

Nor does Sebag-Montefiore consider the implications of the LVMH battle for the French business establishment. The fight for LVMH was, after all, only one of a series of corporate skirmishes in which US-style takeover tactics triumphed over the nepotistic traditions of France's family-controlled companies.

ECONOMIC VIEWPOINT

The urgent need for a firm inner core

By Samuel Brittan

For supporters of the European exchange rate mechanism – and there are still some, not swayed by fashion – the year 1992 has been a struggle to survive until German short-term interest rates fall to a more normal level. The fate of the ERM depends on how soon and how far German interest rates fall, and whether France can hold on until then.

German interest rates may well be too high and the German measure of broad money, M3, may be giving misleading signals, as its US and British equivalents did in the early 1980s. German critics such as Norbert Walter, the chief economist of Deutsche Bank, have been saying so for months, and with better right than most.

The finance ministers of the weaker countries are, however, in no position to censor the German authorities for their *counter-inflationary zeal*. A monetary squeeze works in Germany, like in most other places, first by creating a recession or slowdown and then going through to prices and wages. If the National Institute for Economic and Social Research is right, German consumer price inflation will be below 2 per cent in 1993 – still less if the VAT increase due in January is discounted. If the inflation drop is combined with internal recession – industrial production is already 3 per cent below a year ago – German interest rates will fall sharply without the kind of outside prodding which only makes the Bundesbank dig in its heels.

Lack of ERM credibility in the run-up to the French referendum and after has affected several countries. But they have fallen out of the ERM less messily than the UK. Italy is floating, but is still committed to rejoining at the earliest opportunity. Sweden and Finland, which are not Community members, but were shadowing the Ecu, are now floating. Norway is still, precariously, shadowing. Spain and Portugal have devalued – the former twice – but remain within the system.

Denmark and, even more, Ireland, have been left exposed – Ireland because more than 40 per cent of its exports go to the UK and other non-hard core west European countries, and Denmark because more than 30 per cent of its exports do so. It is touch and go whether they succeed in keeping their place in the grid. At the other end of the scale, the inner bloc of Germany and Benelux remains solid.

Will there remain an ERM for countries to adhere to or rejoin? What makes the ERM core more than a German bloc is the continued adherence of France. Nothing is for sure in this world. The biggest blow to franc credibility was the sinking of sterling and other currencies, which raised the effective exchange rate of the franc by nearly 4 per cent. The franc survived the Black Wednesday trauma with the aid of the Bundesbank, which was impressed by the fact that by all the Maastricht convergence criteria – low inflation and low budget deficits (as well as a low balance of payments deficit) – France has done better than Germany.

By the time of the Swedish departure a week ago, France had repaid all its borrowings from the Bundesbank and had reversed all its emergency interest rate increases. Since then, the franc has inevitably come under further pressure, and will doubtless do so again until the European currency structure is clearer. If I were placing bets (which I am not) they would be in favour of the franc maintaining its parity with the D-Mark and even more in favour of its remaining within a monetary association with Germany.

Meanwhile, I would recommend a magnificent diatribe against the search for alibis and scapegoats for recent currency events by Richard Portes, director of the Centre for Economy Policy Research*. In particular he rounds on the conspiracy theorists, who talk about markets being determined to bring a currency down. "It is absurd and misleading to anthropomorphise a collection of competing firms taking very short-run decisions. The markets have no collective view; nor do they try to crack the ERM. They have better things to do, like making money." The "salivating predatory packs of speculators are sons and daughters of the gnomes of Zurich", the scapegoats of a previous generation.

He is even more scathing about officials who said they were taken by surprise by the size of the speculative capital flows which overwhelmed their defences. "If true, this is shocking – surely they know that foreign exchange trading is of the order of $1,000bn daily, of which probably less than 5 per cent is to finance trade in goods and services."

The NIESR outlines three possible paths for European money:

- The most advanced is "some kind of federal constitution within which Emu would take its place". We can forget about the prospect for this generation, irrespective of the Maastricht treaty.
- The intermediate and most likely outcome is a multi-tier Europe.
- The least advanced is that national economies "may retain their distinctive features, including national monetary policies, and hence national rates of inflation". In that case "the single market will never really live up to its name".

Karl Otto Pöhl has suggested a variant of the second option: abandoning Maastricht and moving quickly to a full monetary union for Germany, France, Benelux and two non-EC countries, Austria and Switzerland. Something like this is *quite likely to happen de facto*. Portes is worried about the geopolitical problems of a northern European monetary club and its implications for those who stay outside. But in all probability the peripheral members would benefit from a more secure core to which they could relate their own currencies than the present so-called "hard ERM".

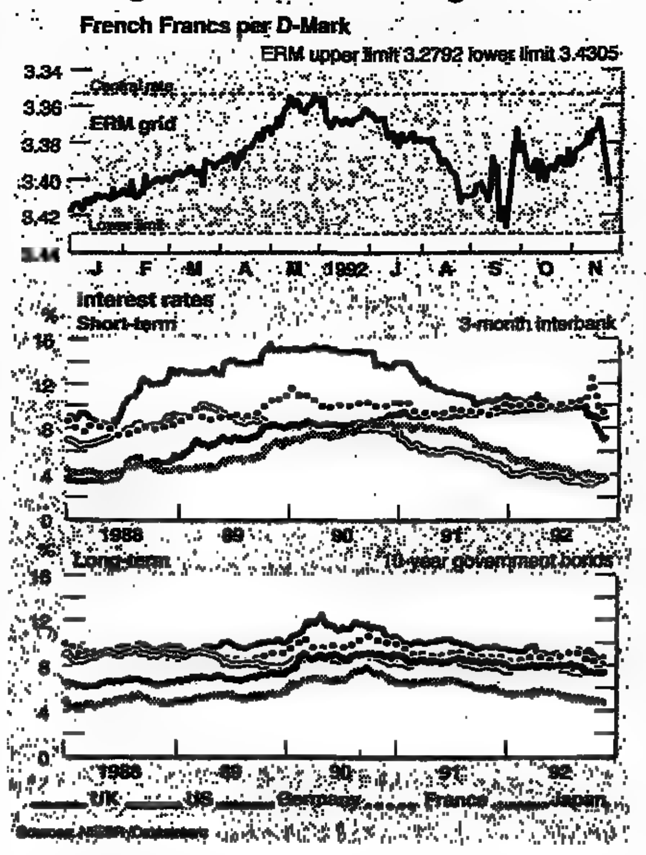
In an outer tier will be countries like Spain or Italy, prepared reluctantly to change their ERM parities, but aspiring to eventual full monetary union. A further tier will consist of countries, maintaining indefinitely wide margins of say 6 per cent, and ready to realign. The outermost tier of all will consist of countries for which even that is too much.

The most likely member of this far-out tier is too obvious to name. While the Bank of England in its Quarterly Bulletin describes the British withdrawal as "temporary", the chancellor spoke in Brussels about the conditions which will have to be fulfilled before Britain "would consider rejoining". Thus the UK is back to *the Thatcher stance of doing* the ERM a favour by joining one distant day, perhaps.

The future of all the outer tiers depends on the centre holding. A rapid drive to full monetary union by France and the German group, so far from being divisive, would be a condition of the outer tiers remaining in some looser form of the ERM. It will also, in the words of the NIESR, be easier for the Bundesbank to "begin the process of sharing responsibility for setting interest rates" if it did so within an inner circle of sound money countries than if it waited to be dragged in kicking and screaming to a forced union of most EC members.

** 25 Old Burlington St, London W1X 1LB. Paper to be published in World Economy, January.*

Leading interest and exchange rates



A rapid drive to full monetary union by an inner group, so far from being divisive, is now badly needed

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Hong Kong process to be fostered

From Dr Hallyburton Stretton.

Sir, Hong Kong as part, probably an important part, of a prosperous democratic China after 1997, should be the objective.

The Soviet Union renounced communism, but still lacks the infrastructure on which to base a prosperous economy.

Hong Kong companies in their hundreds are now busy setting up joint ventures with Chinese partners to create just such an infrastructure as is necessary before communism can profitably be renounced. This should be encouraged and assisted in every way.

Hallyburton Stretton,
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Es Castell,
Menorca, Baleares 07720,
Spain

More luck with insurance

From Mr John A L Borgars.

Sir, While I can sympathise with Prof Kennaway (Letters, November 17), it would be wrong to disparage the entire British insurance industry simply as a result of his bad luck. When I needed insurance for using £2,000-odd of personal computer equipment in eastern Europe my household insurance policy naturally did not cover it since it was for business purposes. The insurance company I tried as an alternative did not cover eastern Europe, so I asked my employer, which had some experience in eastern Europe, if it could help. The office manager obtained the cover I needed with a couple of telephone calls to her insurance broker.

John A L Borgars,
130 High Oak Road,
Ware,
Herts SG12 7NY

Regulatory separation would upset system that works well

From Mr M V Baker.

Sir, Lord Alexander's contribution to the debate about self-regulation ("Single City regulator proposed", November 23) is to be welcomed. The views on a "system of tribunals" proposed by such an eminent lawyer and City practitioner will be studied with interest. Nevertheless, I am concerned that his views on separating retail and professional investment practitioners into separate regulatory organisations are somewhat over-simplified.

At present, stockbrokers dealing with private clients – obviously retail business – are regulated by the Securities and Futures Authority, alongside their colleagues who act for "professional" clients. This system has considerable merit, and benefits stockbrokers, their clients and indeed the regulators, as all business transacted on the Stock Exchange is governed by one self-regulatory organisation (SRO). The system's merits were recognised by Sir Kenneth Clucas, Sir Bryan Hayes and the foundation committee establishing the new Personal Investment Authority. All have agreed stockbrokers should continue to be regulated by one SRO, namely the SFA.

I am sure that Lord Alexander would not want to upset a system which is working very well solely to satisfy a theoretical division between retail and professional business.

M V Baker,
chief executive,
Association of Private Client Investment Managers and Stockbrokers,
20 Dysart Street, London EC2

Facilities to relieve road congestion

From Mr Stefan B Tietz.

Sir, Conclusions drawn in your leader, "Cars, congestion and pollution" (November 20), were shared by a conference held in London last week, which considered Greater *London's transport problems*. There was one important difference. There was considerable agreement that road pricing is inevitable and other forms of constraint would be needed.

It was not, however, felt that there would ever be enough space for all the roads necessary in suburbs or towns. It is therefore essential that alternatives are put in place which would allow for the adequate movement of people and goods *by the time that such* constraints come into full force.

The needs that were identified are, first, improved radial and cross-London services, and, second, an orbital ring railway around London. A ring railway would link the suburbs which now generate over 50 per cent of the total car traffic in greater London. A further need is for local services such as light rail and tram links.

Only with such facilities in *place would there be opportu*nities to rationalise road traffic without serious harm to London's economy.

Stefan B Tietz,
S B Tietz and Partners,
14 Clerkenwell Close,
London EC1R 0PQ

Accountability essential with aid to east Europe

From Mr Karl A Ziegler.

Sir, Regarding the letters by Dr Seppain and Mr Crossick (November 23) in response to Edward Mortimer's characteristically challenging arguments: they take the US, other western leadership and the international financial institutions to task for failing to assist reconstruction in eastern Europe adequately, in the interest of world security.

Reconciliation of policy initiatives by the West requires a tightly monitored emphasis on accountability. When the Financial Times reported the pending $24bn package to assist the former command economies of the old Soviet Union ("G7 pledges $24bn Russian aid", April 2), central to the plan's success was to be the installation of auditors to monitor the foreign exchange receipts in the larger relevant exporting industries.

In reality, "offshore banking centres" have far greater knowledge of such industries' foreign exchange proceeds than do internal auditors, who thus far have not been appointed, or who remain silent in the face of intimidation. In the interest of eastern European and world economic and military security, these "black holes" must be exposed, plugged and regulated immediately.

Throwing good money after bad will help neither proposed recipients nor well-meaning donors.

Karl A Ziegler,
director,
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6 Bradbrook House,
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London SW1X 8EL

Gilts indexed to wage rates would aid UK pension funds

From Mr David Pritchard.

Sir, I refer to Barry Riley's article, "Too many eggs in one basket" (November 11), on the proportion of the assets of UK pension funds held in equities.

As a trustee of a pension fund, I have been dismayed by the preoccupation of the investment management industry with its performance relative only to its other members, and not relative to the liabilities of its customers. Liabilities of a pension plan with defined benefits rise in line with pay, but I have been unable to find an investment manager willing to have his long-term performance judged against wage growth.

Mr Riley observed: "In fact pension schemes that are immature can continue to stick quite safely with equities, almost whatever happens." I wonder if that will prove to be true. *If mature schemes move* large amounts of their funds from equities into bonds, the resultant sharp drop in UK equity prices could invalidate the historical observations on which his comment was based. Also, as he observed elsewhere, it is crucial that the sponsoring employer remains solvent in the long term. A prudent trustee has to ensure that the fund can meet its liabilities both in the long term and on an unexpected near-term winding up.

The faction which believes mature funds are over-invested in equities suggests a move to fixed interest bonds. But this is only sensible if one believes that inflation will not rise significantly. Index-linked gilts would be a risk-averse alternative but, here again, there are potential problems. If we ever *get a single European cur*rency, index-linked gilts would be re-denominated in Ecu, and the indexation would therefore presumably be changed to a pan-European inflation rate. UK wage rate growth has traditionally exceeded changes in the RPI by 2 per cent a year, but if the inflation index becomes Europe-wide, then UK wage growth may become uncoupled from it for material periods.

Trustees are, therefore, left with no ideal investment. They can, of course, reduce the risks through a mixture of investments. More likely they will elect to move away from defined benefit schemes, and adopt defined contribution plans. The risk of investment performance is then transferred from the fund to the pensioner – which seems to be *undesirable in social terms*. I am therefore proposing to the chancellor that the government should issue gilts indexed to UK wage rates. The gilts would be issued with a spread of maturities, and would work in the same way as the existing index-linked gilts, with the indexation being to average wages, rather than to the RPI. Economically, this is not a great leap for the government from issuing RPI-linked bonds. Politically, it allows it to do something for the pensions industry; socially it could avoid the demise of the defined benefit plan.

David Pritchard,
senior vice-president
& general manager Europe,
Royal Bank of Canada,
71 Queen Victoria Street,
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OBSERVER

Baker beats the drum

■ Hanson director Kenneth Baker may no longer be a cabinet minister, but his capacity to amuse and annoy simultaneously survives intact.

Hence merriment mingled with outrage yesterday as he used his role as the master of ceremonies at Highland Park/Spectator parliamentarian of the year awards to champion his own unpopular cause as prime minister in waiting.

Norman Lamont, he suggested, would do well to follow the advice of a corrupt building society chief *who counselled: "Keep the accounts* in pencil and don't press too hard."

But the comment that caused most umbrage touched on the Tories' sorest bruise of Europe, about which Baker's enthusiasm in office changed to rampant scepticism on his return to the backbenches.

Since The Spectator was only one among many onlookers who had recognised that the Maastricht treaty was to all intents and purposes dead, he concluded that government policy in this area now amounted to little more than "necrophilia".

That last comment was the final straw for Richard Ryder, honoured as whip of the year, who suggested that his "old friend" might qualify for some special award – two-faced politician of the year, perhaps – given that at the crucial Maastricht vote a fortnight ago, Baker had voted with the government.

"Without you," he pointed out, to laughter and applause, "we might not have won."

Graphic example

■ Life's definitely getting tougher in *the civil service. Last week the* Defence Ministry staged a conference in Birmingham to tell private contractors about its ambitious plans to contract out large chunks of work as part of the government's market-testing programme.

All attending received glossy brochures produced by the ministry's graphics department describing the juicy opportunities on offer.

These included the good news for the graphics department's own staff that they were number four in the list of targets, and would shortly be forced to compete for their own jobs.

Market talk

■ For a brief moment yesterday, the entire French financial system was under siege as 30 protesting French farmers stormed the Paris bourse.

Once inside, they set off fire-crackers in protest at attempts to cut French farm subsidies and reach a Gatt deal.

"Nobody knows if they were buying or selling," said one options dealer. The consensus was that they were probably bulls.

Gaidar-goader

■ If Nikolai Travkin has anything to do with it, the embattled Russian prime minister, Yegor Gaidar, will get his final comeuppance at the meeting of the Supreme Soviet today.

Travkin, chairman of the Democratic party of Russia, rushed back for the big event from London after speaking at the Royal Institute of International Affairs, where he claimed westerners were wrong to view Yeltsin and Gaidar as reformers and everyone else as conservatives.

Take himself, for instance, Travkin said. Whereas in reality Gaidar had only talked about privatisation and other reforms, *he* had actually put same into force in the district of Shahovskaya, where he is head of the local administration. There, 100km north of Moscow, trade was totally privatised, and prices were "50 per cent lower than in neighbouring regions".

Hence the solution to Russia's problems was simple: "We must do on the scale of the country what is being done in Shahovskaya."

Travkin – who is allied in the Civic Union with Russian vice-president Alexander Rutskoi and industrialist leader Arkady Volsky – is confident of commanding the votes today.

What is more, he believes that its outcome will prove decisive for next week's Congress of People's Deputies which "will put a stop to the Gaidar experiment".

'Don't think of them as subjects – think of them as underwriters'

Under cover

■ Meanwhile, is Moscow making a secret bid to be the capital of the world junk-mail industry? A colleague was surprised to get a press release from Moscow telling how Supertravel, a London ski tour operator, was training its chalet girls in the New Forest.

It is hard to believe that it is cheaper to write a press release in London and air freight it to Moscow, so that it can then be put in an envelope and posted back to London. Supertravel's Susan Birkin admits that sending promotional bumf via Moscow doesn't save any money but she thinks it a "super" marketing tool.

A Moscow postmark might just prevent a punter binning an unopened promotional circular. "It conjures up images of 'From Russia with love...', and one client even thought that the KGB had supplied her name," gushes Birkin.

Lead-free

■ Time was when generals who ordered their troops not to waste bullets meant only one thing: use their bayonets on the enemy instead. But those days of gore are mercifully over, at least in Britain and the Netherlands.

For their armies, saving bullets is now a high-technology business thanks to former world champion racing driver Jody Scheckter. After retiring from the professional track in 1979, the South African set up a US company which has just won contracts worth £53m from the UK and Dutch defence ministries.

With the end of the cold war bringing cuts in military budgets, the Georgia-based Firearms Training Systems company *is to* supply both countries with combat-practice equipment that does away with the need to expend costly conventional ammunition. Projectors are used to simulate a battle in which the trainees fire at their targets with lasers.

How's that for a game of soldiers?

Frank

■ Attending a job interview, a student was asked what else he did besides studying that might make him worth employing. His reply was that he collected stamps.

"Philately will get you nowhere," the interviewer said.

FINANCIAL TIMES
Thursday November 26 1992

ERM upheaval seen hastening arrival of a two-speed Europe

'Core' currencies should survive, but others may drift from central block

Peter Norman, Economics Editor, in Paris

THE ADVENT of a two-speed or a multi-speed Europe has been hastened by the recent volatility in the European exchange rate mechanism, according to senior monetary officials in several continental centres.

The officials, who are based in the "core" countries of the European Monetary System, are quietly optimistic that the currencies grouped around the D-Mark will be able to form a block in which parities stay virtually unchanged once the turbulence on currency markets has died down.

But in spite of last weekend's devaluations of the Spanish peseta and Portuguese escudo, there is much less confidence that those currencies or sterling or the Italian lira, which are floating outside the ERM, will be able to maintain stable relationships with the other EMS currencies.

In conversations since the weekend realignment, the officials, who declined to be identified, said they did not believe the recent upheavals in the ERM meant the end of the system.

However, there was widespread recognition that the various realignments had been badly handled. One official said it had been a mistake to arrange the September 13 devaluation of the lira by telephone, thus precluding the opportunity for a broader realignment at that time.

Most accepted that the dislocation of the ERM in the successive waves of speculation since early September has made the achievement of economic and monetary union in line with the Maastricht Treaty less certain and at least subject to delay.

FRENCH FRANC RALLIES

Strains inside the European exchange rate mechanism eased yesterday as the French franc rallied against the D-Mark and interest rates in Ireland came down. After closing below FFr3.40 on Tuesday, the franc appreciated to FFr3.388. Short-dated money market rates in Ireland were quoted at around 30 per cent having been at 75 per cent on Tuesday. The punt, however, remained below its ERM floor against the Belgian franc, one of the strongest ERM currencies, for much of the day. There was speculation the punt would have to be devalued

But unlike London-based analysts who have forecast the collapse of the ERM, continental monetary officials are looking ahead to a period in which economic fundamentals, such as inflation and trade performance and international competitiveness, will play a bigger part in determining currency relationships in Europe.

As a result, Germany, France, the Benelux countries and possibly Ireland and Denmark will be able to form in effect a fixed exchange rate block. Austria, which links its currency to the D-Mark, would also be a member of this group.

There are still battles to be won, notably in convincing financial markets that the Danish krone and Irish punt are not candidates for devaluation.

The scale of speculation in such small currencies can be spectacular. In three hours last Friday, for example, the Belgian National Bank had to buy $1bn of Irish punts.

But trading in the Danish and Irish currencies as well as the French franc was calmer yesterday. This prompted hopes that speculators may have been deterred by the resolute action taken in all three countries to raise interest rates since Monday.

There are also hopes that any fallout from the Irish election on the punt will be limited. Mr Bertie Ahern, the Irish finance minister, assured his EC colleagues in Brussels on Monday that there was a political consensus among the main Irish parties that the punt should not be devalued.

While officials generally expect the inner group of ERM countries to emerge as a recognisable and cohesive group of countries, there are differences about the implications of such a development for Emu.

French monetary officials believe that the recent crisis in the ERM has underlined the need for monetary union among those countries with convergent economic conditions. "There would have been no crisis between the French franc and the D-Mark if they were a single currency," one senior official said. "So long as there is real convergence, it should be a case of the quicker the better in turning the EMS into a single currency system."

Germany, however, is far more cautious. Earlier this month, Mr Hans Tietmeyer, the Bundesbank vice-president, warned against too rapid a move to Emu. He told an audience in southern Germany that the premature creation of a single European currency and central bank could be threatened by tensions in pay developments and fiscal policy.

Fears about sharply rising German wages have been expressed by Mr Alfons Verplaetse, the Belgian National Bank governor. In a recent interview with the German newspaper Handelsblatt, he said he regretted that the Maastricht convergence criteria made no reference to income trends and he advocated an incomes policy for Germany.

Indeed, while monetary officials in the EMS core countries are looking to a future in which their currencies stay closely linked to the D-Mark, there is strong underlying concern about economic developments in Germany.

High labour costs and relatively high inflation compared with countries such as France, Denmark and Ireland have caused Germany to lose competitiveness. The cost of subsidising the new eastern Länder and Germany's continuing high budget deficits have caused some officials to wonder whether the German economy will be able to fulfil the Maastricht convergence criteria by the end of 1996, when the EC is due to assess whether a majority of its member states is willing and able to embark on Emu.

The consensus among senior officials is that Germany will be able to overcome its difficulties. But one noted that the D-Mark really should devalue against the French franc and other ERM currencies because of Germany's declining competitiveness.

Currencies, Page 30

State aid to coal mines under threat

By Andrew Hill in Brussels

EUROPE'S coal mines will have to bring production costs in line with the EC average or lose their right to state aid, according to a plan agreed by the European Commission yesterday.

But the Commission – under strong political pressure from German and Spanish governments and the industry itself – has amended its proposals to allow more flexibility in deciding whether inefficient pits can continue to receive state aid.

The amendments to the plan, which would replace the existing state aid regime for coal in January 1994, should slightly reduce the risk that high-cost German and Spanish mines will be forced to close.

The Commission's original plan would have penalised pits which produced at more than the 1992 average cost. The amended plan merely aims for "convergence" between the high-cost Spanish and German pits and the more competitive British mines. State aid for high-cost pits will only be approved if the plans include restructuring proposals which will help the mines lower their costs towards the EC average.

The proposals will still tighten the screw on inefficient mines in the eight years before the abolition of the European coal and steel treaty in 2002, and could face severe opposition when they are put to EC ministers. Member states must approve the replacement plan unanimously.

Some EC pits produce coal at a cost of more than Ecu200 ($246) a tonne, compared with an EC average of Ecu110 and a world price of Ecu40.

As if to underline the dependence of some national industries on state aid, the Commission also approved yesterday subsidies of up to DM11.8bn ($7.3bn) for the German industry. However, Brussels also acknowledged the parallel efforts being made in Germany to restructure the industry and make the aid system more transparent.

The Commission is also calling for coal producers to detail state aid received in their balance sheets after 1994.

Some commissioners had argued that it would not benefit the EC industry if high-cost producers were driven out of business because there is little competition between Community producers. Critics of the original plan said EC users would choose to buy much cheaper non-EC coal rather than drawing on remaining EC supplies.

West European coal producers have lobbied hard for the Commission to recognise the grave situation in the industry.

Miners face the future without delay

Despite recession, threatened UK coal pits lose 1,000 'volunteers' a week

By Chris Tighe in Dawdon, north-east England

Miners look for alternative employment at a Jobcentre in northern England

A FEW WEEKS ago, fitter Peter Lawson and electrician Davy Owens were hard at work 4 kilometres out under the North Sea at the G10 face of British Coal's Easington colliery.

Yesterday, the former workmates were searching for a future, leafing through the file of "companies open to CVs [resumés]" at British Coal Enterprise's Job Shop in Dawdon.

Both men are in their mid-30s and have worked for British Coal since leaving school. They would have preferred to stay in the industry all their working lives.

Their pit is one of 21 which, since the October 13 closure announcement, have been given at least a temporary reprieve by the UK government's promise of an independent review. Yet Mr Lawson and Mr Owens are among 4,600 miners who, in the depths of recession, have volunteered for redundancy since October 13, and left the industry, reducing its workforce to 46,400.

"I always said I'd be the last to leave", says Mr Owens. So why did he volunteer now? "It's just the fact I know it's definitely going to close."

"There's this air of depression going through the colliery, the men know it's going to happen", says Mr Lawson. He and Mr Owens are not alone in quitting Easington; pit manager Mr Stephen Reece is leaving to run a supermarket.

Mr Owens decided it was best not to delay job-hunting. "I thought getting out now would give me a better chance, before the rush". Hoping for work in the offshore oil industry, he has already spent £500 of his £27,000 ($41,000) redundancy money on an offshore survival course.

Mr Lawson was worried that the redundancy payoff, normally calculated on the previous 13 weeks' earnings, might be lower if he stayed. Constant rumours of the pit's imminent demise and endemic low morale sapped his confidence in its future. One Friday last month he asked at the colliery offices about redundancy and was told the pit wanted to lose 15 fitters; six had so far gone.

He rang his wife, and then, on the spur of the moment, volunteered.He left with a £25,000 payoff. Now, "mortgaged up to the hilt", with a wife, two small daughters, and another baby on the way, he is toying with the idea of retraining as a teacher, or selling insurance.

Since two pits have already closed in the area since mid-1991, the Dawdon Job Shop had helped 1,200 ex-miners before the latest wave. Half are thought to have found permanent jobs.

Meanwhile, UK miners still at work set a new productivity record – an average 6.72 tonnes of coal per man per shift last week, 16 per cent higher than the level a year ago.

Productivity in the Selby Group of eight pits in Yorkshire waw a national record of 12.25 tonnes a manshift and night workers at Prince of Wales colliery in Yorkshire set a European record by cutting 4,320 cubic metres of coal in a shift.

The pit, which employs 700 miners, is due to be mothballed by next March under British Coal's original closure plans.

World Weather

		°C	°F
Ajaccio	C	16	64
Algiers	S	22	72
Amsterdam	C	11	52
Athens	C	14	57
Bahrain	S	26	79
Bangkok	C	31	88
Barcelona	S	16	61
Beijing	S	2	36
Beirut	R	10	50
Belfast	R	6	43
Belgrade	Fg	6	43
Berlin	R	8	46
Biarritz	S	18	64
Bombay	S	33	91
Bordeaux	F	15	59
Boulogne	S	11	52
Brussels	S	11	52
Budapest	C	6	43
Buenos Aires	F	24	75
Cairo	F	19	66
Cape Town	S	21	70
Caracas	C	29	84
Casablanca †	S	21	70
Chicago †	C	6	43
Cologne	S	12	54
Copenhagen	R	8	46
Corfu	F	18	64
Dallas †	S	3	37
Dublin	F	9	48
Dubrovnik		–	–
Edinburgh	S	8	46
Faro	S	16	61
Florence	F	16	61
Frankfurt	F	9	48
Geneva	R	11	52
Gibraltar	S	21	70
Glasgow	C	8	46
Helsinki	Sn	-1	30
Hong Kong	S	26	79
Innsbruck	F	7	45
Inverness	S	5	41
Islamabad	F	21	70
Istanbul	S	8	46
Jakarta	R	31	88
Johannesburg	S	21	70
Lisbon	C	17	63
London	F	10	50
Los Angeles †	S	12	54
Luxembourg	F	10	50
Madeira	S	22	72
Madrid	F	11	52
Majorca	S	21	70
Malaga	S	18	64
Malta	F	21	70
Manila	C	31	88
Melbourne	F	13	55
Mexico City	F	25	77
Miami †	S	26	79
Milan	C	7	45
Montreal †	R	4	39
Moscow	C	-5	23
Munich	F	11	52
Nairobi		–	–
Naples	C	18	64
Nassau	C	29	84
New Delhi	S	20	68
New York †	C	9	48
Nice	S	17	63
Nicosia	S	12	54
Oporto	C	16	61
Oslo	Sl	0	32
Paris	F	13	55
Prague	R	3	37
Reykjavik	C	0	32
Rhodes	S	13	55
Rio d'Janeiro	C	28	82
Rome	F	20	68
Salzburg	F	7	45
S'Francisco †	F	11	52
Seoul	S	3	37
Singapore	R	25	77
Stockholm	C	3	37
Strasbourg	C	12	54
Sydney	S	26	79
Taipei	C	24	75
Tangier	S	20	68
Tel Aviv	Dr	13	55
Tenerife	S	24	75
Tokyo	S	19	66
Toronto †	C	3	37
Tunis	S	21	70
Valencia	S	22	72
Venice	C	8	46
Vienna	C	5	41
Warsaw	S	6	43
Washington †	C	11	52
Zurich	R	9	48

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

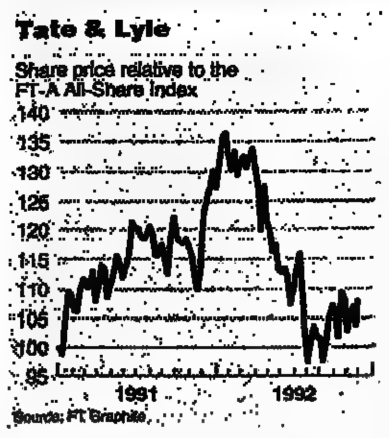
The Kwik step

The alarming aspect of Kwik Save's results is the way the percentage increases get smaller as you move down the profit and loss account. Sales may be up by a third, but the rise in operating profit is 14.8 per cent and earnings per share have only grown by 8.9 per cent. While a change in sales mix and capital investment may be partly responsible, the figures bear the scars of aggressive competition.

Kwik Save's strategy is to eat into the soft middle ground of food retailing occupied by Gateway, Asda, and the Co-op, while also pricing keenly to hold off Aldi and Netto. Unfortunately for shareholders, that raises questions. Kwik Save has a strong balance sheet and its management is clearly superior to most others in its sights. But earnings growth may slow if other chains fighting for survival compete fiercely on price. If the recession ever ends, Kwik Save may also be squeezed by consumers aspiring to superstore status. The privately owned foreign discounters might also choose to run losses to establish a presence in the UK market. Barriers to entry in this area are low.

It would be wrong to get too gloomy, however. The threat is largely discounted in Kwik Save's price and the company's advantages mean it will be a survivor. Much of that strength derives from the efforts of the Keswick clan, who acquired board representation and an influential stake when Kwik Save had lost its way. That point will not be lost on shareholders in Trafalgar House.

FT-SE Index: 2709.6 (-17.5)



Tate & Lyle

Investors who piled into Tate late last year, on the back of its much-vaunted value-added promise, are now discovering that the company is a good old commodity business after all. Just when a 14-year unbroken profits record was beginning to suggest otherwise, along come terrible weather and US overcapacity in high-fructose corn syrup to ram home the point.

Sensitivity to the external environment explains why Tate's rating as measured by its forward earnings multiple is below the market average. What size of discount is appropriate depends on the strength of this year's bounce back. The positive impact of a weaker pound could well be substantial – as much as £30m according to one outside estimate. Dwarfing everything else in importance, though, is the extent of the turnround at Staley. Tate is clearly chipper about the prospects, having appointed a new man to do the job. But the shares are unlikely to advance much further until there is evidence that prices are not suffering in the battle to recapture market share. Depending on the outcome, profits in 1992-93 could be anywhere between £220m and £240m.

For all the short-term uncertainties Tate's earnings per share record from 1988 to 1992 will probably be better than the likes of Cadbury and Unilever. There may be nothing wrong with commodity businesses, especially if they have quasi-monopolistic positions and are good at exploiting them.

Tomkins

The market still seems lukewarm about the wisdom of Tomkins' bid for Ranks Hovis McDougall, notwithstanding Mr Gregory Hutchings' strenuous efforts to persuade. As Monday's deadline for the rights issue looms, a price of 213p tells Tomkins' shareholders to take up their rights, albeit by a fairly narrow margin. But RHM holders would still be better off accepting the 260p cash alternative rather than the paper offer, which is worth some 8p per share less. That does not suggest that RHM will do a great deal for Tomkins even if the outcome of the bid is now pretty much a foregone conclusion.

The risk in the short run is that Tomkins may have to resort to uncharacteristically large fair-value provisions and cash outlays to set RHM to rights. True, ample benefit could flow from that restructuring for a year or two. But then Tomkins could find itself dependent for a large portion of its earnings on a business with low inherent growth. It would need more large acquisitions to keep up earnings momentum.

At a rating discount of more than 10 per cent to the market, Tomkins' shares look cheap. There should be some catching up to do once the rights issue and RHM have been absorbed. Yet Tomkins may not easily regain that substantial premium which makes the acquisition trail inviting.

North West Water

The European Court did its best to spoil a respectable set of interim figures from North West Water. By judging the UK guilty of poor water quality, the court highlighted the vast capital spending which could be required to bring standards up to scratch. Since North West is responsible for a region still drinking water from lead pipes, it is more exposed than most. If the industry is allowed to make a healthy rate of return on investment, of course, higher standards could be good for shareholders. But that is taking a lot on trust. North West is still waiting to hear what rate of return the regulator will allow on £430m unexpected environmental spending over the next two years.

North West may be wise to look for profits elsewhere. Ventures in process engineering and water supply overseas could help sustain dividend growth if the regulator gets tough. But diversification – like capital spending – is a double-edged sword. Profits from outside the regulated water business are less reliable. Like other ambitious water companies, North West will have to prove it can manage diversification effectively.

Glaxo

Glaxo must hope yesterday's patent award in favour of SmithKline Beecham does not start a run of bad luck. The market was understandably unsettled by a defeat for Zofran, one of the new drugs supposed to offset the US patent risk to Zantac, its blockbusting anti-ulcer compound. In itself, though, yesterday's decision looks little more than an embarrassment for Glaxo. It may end up paying a handsome royalty to SmithKline on sales of Zofran to cancer patients in Europe. But that would hardly blow a hole in profits. Meanwhile there is nothing to prevent Zofran growing market share. Whether Glaxo can ever replace Zantac, though, remains an open question.

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INSIDE

Rhône-Poulenc set for partial sale

Rhône-Poulenc, the French majority state-owned chemicals and pharmaceuticals group, has transformed itself from a motley group of chemicals businesses into the envy of the industry. Six years ago, the French government put Mr Jean-René Fourtou, an expert on the pharmaceuticals industry, in charge. He was told to shake some strategic sense into the company. Today, it has in become a star of the government's industrial portfolio and is being readied for partial privatisation. Page 17

Audi favours Hungary for plant

Audi, the quality car division of Germany's Volkswagen group, has chosen Hungary over eastern Germany as the likely location for a new engine components plant. Audi said that Hungary won out against eastern Germany and Austria, the two competitors to host the plant, because of the "cost advantages". Page 16

Golf takes over from rubber

Life is changing on the Malaysian rubber estates. Trees are being chopped down and the land is being planted with oil palm; plantations near towns are being sold for property development. Where there were once forests of rubber trees there are now golf courses, and rubber tappers have found new jobs as caddies. The estates are turning away from rubber. Smallholders have become the mainstay of production. Page 22

EAC to sell 60% of meat unit

East Asiatic Company, Denmark's largest trading group, has announced plans to sell 60 per cent of its Plumrose meat processing division to a group of Danish firms led by Tulip International. The disposal is part of an attempt by EAC to pull itself out of its present financial difficulties. Page 16

Safe result at North West Water

Cost cutting and price rises helped North West Water, the UK water and sewerage company, lift interim profits by 5.7 per cent. Mr Bob Thian, chief executive, said full year growth would continue at a similar rate. "This was a good, safe performance," he said. Turnover from measured water usage, which covers businesses and new homes, increased 13.1 per cent, suggesting the company continued to weather recession well. Page 20

Sterling in the spotlight

Sterling shifted nearer to centre stage in the international bond markets yesterday, benefiting from nervousness elsewhere in Europe. Traders claimed that Baring Brothers, lead manager of a World Bank £200m issue had been, at best, naive in its pricing. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Legris	128	+	10.9
Rises				**Falls**			
Porsche	445	+	7	Club Mediterran	339	−	16.5
Siemens	589.5	+	7.4	Hachette	85	−	[illegible]
Falls				Isostal	290	−	9.5
Bilf. & Berger	866	−	17	Nasa	184	−	10.7
Colonia Konzern	710	−	20	**TOKYO (Yen)**			
Linotype-Hell	379	−	[illegible]	**Rises**			
Schering	736	−	[illegible]	Gajoen Kanko	180	+	33
NEW YORK ($)				Kyoei Tanker	365	+	50
Rises				Tokito Suisan	849	+	[illegible]
Beldiz Intl	21	+	3¾	Wakamoto			
IBM	65¼	+	⅜	Pharm	753	+	63
Intl Paper	63⅝	+	1	Yokohama Matsu			
Westinghse Elec	12¼	+	1¼		340	+	97
Falls				**Falls**			
Fedders	5⅞	−	⅜	Ahresty	520	−	40
Gap Stores	35⅛	−	1½				
PARIS (FFr)							
Rises							
Immobanque	650	+	22				

New york prices at 12:30.

LONDON (Pence)							
Rises				BET	87	−	5
ABI Leisure	60	+	6	Glaxo	786½	−	20½
APV	101	+	5	Laporte	583	−	22
Brown Shipley	45	+	9	Lopex	14	−	3
Chrysalis	69	+	6	ML Holdings	15	−	6
Dwyer	27	+	7	NthWestWater	482	−	11
Geest	275	+	12	P & P	20	−	5
Merrydown	213	+	15	Pegasus	86	−	42
OS Holdings	240	+	15	Perry Group	105	−	10
Spaudit(Jtsn)	246	+	14	Redland	343	−	21
Somerset Tst	125	+	10	TVS Ent	25½	−	3
Tate & Lyle	388	+	12	Tarmac	89	−	6
Tiphook	277	+	12				
Falls							

Richemont limits profits decline to 2% at midway

By Ian Rodger in Zurich

RICHEMONT, the Swiss holding company for Rothmans international tobacco businesses and the Cartier and Dunhill luxury goods companies, appears to be faring better in the recession than some of its competitors.

The group's consolidated pre-tax profit fell 2.1 per cent to £279.4m ($421.89m) in the six months to September 30 on sales up 1 per cent to £1.5bn as a result of currency effects and reduced interest on its net funds. Operating profits were up 2.1 per cent to £266.8m.

Mr Johann Rupert, managing director, said he was "satisfied" with the result, considering the depressed economic conditions in many of the group's important markets.

Operating profit of the tobacco products was up 6.3 per cent to £191.5m, while that of luxury products fell 4.5 per cent to £76.7m.

Mr Rupert said the luxury products result was depressed by a change last year in Cartier's reporting currency from US dollars to Swiss francs.

Sales and profits were up 4 per cent in Swiss franc terms but down 5.3 per cent when converted into sterling.

Dunhill, which is heavily dependent on the depressed Japanese market, nevertheless managed to raise its operating profit 6.3 per cent to £21.8m.

Mr Rupert said this reflected the increasing contribution of Mont Blanc, the luxury pen business which had become "a major profit earner", and was established mainly in western markets. Also, the slack in Japan was being taken up by strength in other Asian markets.

"The luxury goods businesses are still holding up better than I expected," he observed, adding dryly: "The people who were in this business in the 1970s will cope better in the 1990s than the people who started in the 1980s."

He said adverse conditions were expected to continue for the remainder of the fiscal year, but hinted that the result from other interests, which had an operating loss of £3.6m in the first half, could improve.

In particular, the Horn & Hardart mail order business in the US, which lost $64m last year, was making profits. Richemont has a 62.5 per cent stake in the business. Also, the recent decline in sterling was expected to have a beneficial impact.

Rothmans results, Page 19

SmithKline and Glaxo in row over patents for Zofran

By Paul Abrahams in London

A SQUABBLE broke out yesterday between the UK's two leading drugs companies, Glaxo and SmithKline Beecham, over patents of one of Glaxo's most important new drugs, Zofran.

SmithKline Beecham said the European patent office had decided to grant it a European patent for use of ondansetron (Zofran's chemical name) for the treatment of nausea and vomiting associated with cancer therapy and cytotoxic agents.

Zofran is marketed by Glaxo for that use. The decision is an embarrassment for Glaxo. The drug won the Prix Galien last year as Europe's most important new drug. Last financial year, Zofran generated sales of £259m ($395m) compared with £78m in 1991. Its launch was described by Mr Ernest Mario, chief executive, as one of the most successful in the history of the pharmaceuticals industry.

SmithKline Beecham is unlikely to call for the product's withdrawal and is unable to market the drug directly. However it will be looking for royalty payments. Mr Robin Gilbert, analyst at James Capel, said: "This is unlikely to have any immediate impact on Glaxo's bottom-line."

Glaxo's shares fell 20½p to 786½p, while SmithKline Beecham rose 2p to 538p.

SmithKline Beecham said it expected to have a European patent within six months. Glaxo said eight countries were covered by the decision: Belgium, France, Germany, Italy, Liechtenstein, the Netherlands, Switzerland and the UK. They represent about 25 per cent of Zofran's sales.

Glaxo said it would appeal against the decision and would seek to invalidate the patent in any country where SmithKline Beecham tried to enforce it. Glaxo's US and Japanese patents for the use of ondansetron for nausea associated with chemotherapy are also being challenged by SmithKline Beecham.

Glaxo said it had discovered, patented and marketed ondansetron worldwide. It was originally patented for migraine and anxiety. SmithKline Beecham, which has expertise in nausea in chemotherapy, tested the drug for that use and then patented it. The company markets Zofran's main competitor, Kytril.

The main legal debate is about the difference between nausea in migraine patients and nausea in cancer patients undergoing chemotherapy.

Lex, Page 14

Fisons disposals start with north American businesses

By Paul Abrahams in London

FISONS, the troubled UK healthcare group, yesterday sold its US and Canadian consumer health businesses for $140m to Ciba-Geigy Corporation, the US subsidiary of the Swiss chemicals group.

The deal marks the start of Fisons' disposals programme that will involve the sale of its horticultural and consumer healthcare operations. It will concentrate on ethical pharmaceuticals and scientific instruments.

Mr Roy Thomas, finance director, said: "We are very pleased with this sale because we thought it would be the most difficult to get away." The consideration will be used to reduce group debts.

The north American operations had a turnover last year of $65m and made an operating profit of $5.5m. They represented about half of the division's turnover and about 40 per cent of profits. Stocks and debtors were about $25m.

The businesses marketed Desenex, an athlete's foot product, Allerest, a hay-fever treatment, Myoflex, a topical analgesic bought from Rorer of the US two years ago and Cruex, a hygiene product. Others include treatments for coughs and colds and nappy-rash. Fisons will manufacture the products for at least a year at its Rochester plant.

Mr Thomas said negotiations were continuing for the sale of remaining consumer healthcare businesses.

The largest, in the UK, generated sales last year of £27m ($40m), those in Australia £16m and those in South Africa £11m. The most important product line is Sanatogen vitamins.

Bids are being considered for each of the remaining national consumer healthcare operations, although Fisons would prefer to sell them as a unit, said Mr Thomas. A number of companies are interested, but an announcement would not be made for a number of weeks, he said.

One company looking at the vitamin business is thought to be E. Merck of Germany.

Mr Thomas said negotiations for the sale of the horticultural business, which had sales last year of just over £100m, were advanced. He said there was at least one interested buyer offering a price Fisons was willing to accept. An announcement would be made in the not too distant future.

Sara Webb looks at prospects for the UK government bond market

Tough times loom for gilts

Next year is likely to be an uncertain one for the UK government bond market. After the strong rally in gilt prices over the past two years, the outlook has deteriorated for several reasons: the scope for further interest rate cuts is limited; the gilt market will be flooded with new supply; and many investors, who are nervous about the prospects for sterling and the UK economy, believe they can obtain higher returns – with less risk – elsewhere.

Institutional investors have reaped considerable profits from the gilt market over the past two years. Bond markets tend to perform well in a recession, boosted by falling interest rates: with the steady fall in the base rate from 15 per cent in 1989-90 to its current level of 7 per cent, gilts have performed well.

However, the scope for further cuts in the base rate appears limited to one or two percentage points in the near term. "The feeling in the market is 'we've had everything we can get, let's get out'," says one gilt-edged marketmaker.

With the fall in bank and building society deposit rates, some private individuals are eager to lock into gilts to achieve a higher return, and gilt-edged marketmakers have reported strong demand from the retail sector in recent weeks.

But Mr Richard Royds, managing director of the unit trust arm of Mercury Asset Management, the fund management group, points out that many retail investors are keener to invest in global bond funds than in plain gilt unit trusts. "Private investors think there is not as much to go for in gilts as in international bonds: given that German interest rates will have to come down soon, there is much more to go for with the international story."

Of greater concern to investors is the heavy funding burden facing the gilt market. The government is forecasting a Public Sector Borrowing Requirement (PSBR) for 1993-94 of 7 per cent of GDP – or an estimated £44bn ($67bn). Taking into account the repayment of maturing debt, the Bank of England will have to issue about £50bn to £55bn of gilt-edged stock in the next financial year, or roughly £1bn of gilts a week. "The numbers just look daunting," says Mr John Shepperd, UK economist at SG Warburg Securities.

"There's supply as far as the eye can see . . . it's going to be an uphill climb to issue that amount," says Mr Roger Gray, head of fixed income and currency at Rothschild Asset Management.

Admittedly, the forecast PSBR for 1992-93 is large too – Mr Norman Lamont, chancellor of the exchequer, predicted £37bn in his Autumn Statement – and the gilt market has digested the heavy issuance of new stock so far relatively easily. But that was against a rather different backdrop: investors were willing to buy stock while the prospects for lower interest rates and lower inflation were good, and while sterling was a member of the Exchange Rate Mechanism (ERM).

Next year's funding will be more difficult to achieve. "The market is not going to be aided by hopes of lower inflation and lower interest rates this time," says one gilt-edged marketmaker.

Sterling's membership of the ERM of the European Monetary System since October 1990 proved a strong lure to investors during 1991 and early 1992. Foreigners – particularly Europeans – felt more comfortable with sterling in the ERM as it reduced the exchange rate risk on their gilt investments. More importantly, membership of the ERM was seen as exerting a much-needed economic discipline, forcing the government to keep inflation under control and allowing it to cut interest rates from their peak levels in 1989-1990.

But sterling's ignominious departure from the ERM in September means overseas investors are less likely to invest in gilts because of the exchange rate risk. Foreigners were net sellers of gilts in August and September to the tune of £1.9bn, mainly because of sterling's battering in the foreign exchange markets. Many are still wary of the gilt market for currency reasons.

Mr Hervé Langlet, international bond portfolio manager at Indosuez Gartmore Gestions which manages funds on behalf of European and Japanese investors, says: "The recent floating of sterling makes [foreign] investors very uneasy: a drop in the pound can obliterate any gain in the bond investment, and if there is a further cut in UK interest rates it could lead to a further weakening in the currency."

Added to which, both domestic and overseas investors are starting to worry about the outlook for inflation following sterling's exit from the ERM and the swift base rate cuts which followed its departure.

"We see inflation pulling up at the end of 1993, and gilts will worry about it beforehand," says Mr Chris Dillow, UK economist at Nomura International.

Given the combination of worries about sterling, inflation and the heavy funding pressures, fund managers point out that yields on gilts relative to other European bond markets will have to increase in order to attract institutional money and fund the government's borrowing requirement.

Fund managers point out that they can achieve more attractive returns from the French government bond market, where the economic outlook in terms of growth and inflation is rosier than for the UK.

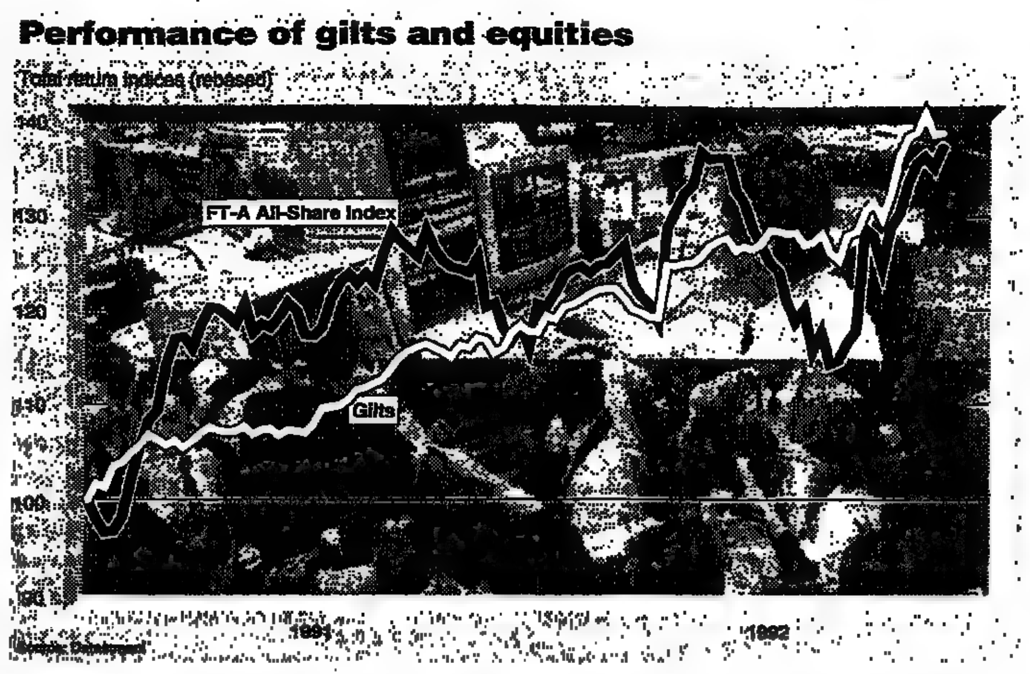
If the Bundesbank were to lower interest rates that would certainly provide some relief for the gilt market. It would help sterling to stabilise against the D-Mark and would precipitate a round of rate cuts in continental Europe, resulting in lower yields in the European bond markets relative to gilt yields.

But failing a cut in German rates, gilt yields will probably have to rise to attract institutional investors.

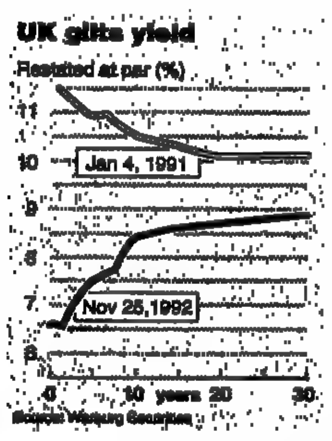
"At the moment I can see no way the gilt market can achieve the necessary level of funding," says the fixed income manager for one of the leading fund management groups. "The government deficit will be financed but the question is: at what price will the money flow into the government's coffers? Yields will simply have to rise in order to increase the attractiveness of gilts."

Mr Gray of Rothschild agrees: "There is a huge volume of gilts in the pipeline. If it is to find its way into institutional portfolios, yields will have to be sufficient to tempt the portfolio managers to hold stock."

Performance of gilts and equities



UK gilts yield



Tate & Lyle sales and crops hit by US weather

By Maggie Urry in London

TATE & LYLE, the sugar and sweeteners group, announced a drop in pre-tax profits from £230.8m to £189.5m ($289m) for the year to end-September, with poor weather in the US blamed for much of the fall. The reduction was the company's first profit reverse for 14 years.

However, Mr Stephen Brown, chief executive, said he was "extremely bullish about this year" and expected a "rebound in profits". The shares rose 12p to 388p.

A final dividend of 8p is proposed, up from 7p, to give a total of 12p, a 7.1 per cent rise. The dividend is covered more than twice by fully diluted earnings per share of 26.2p, down 20.6 per cent.

Group sales rose 3.2 per cent to £3.4bn, but problems in Tate's US sugar and corn sweetener subsidiaries hit pre-interest profits, which fell from £280.5m to £237.4m. At this level the net interest charge of £47.9m, down from £49.7m, was still covered 5 times, a level which the group regards as comfortable.

Staley, Tate's US high fructose corn syrup business, suffered as poor summer weather depressed soft drinks sales and overcapacity in the industry put pressure on prices. Pre-interest profits in the division fell from £96.8m to £65.3m. A new chief executive has been hired.

At Western Sugar, the US sugar beet business, a frost followed by a thaw damaged the beet. Western was barely profitable and profits from the US sugar division, which includes cane, fell from £49.3m to £30.9m.

Lex, Page 14; Sweetened by market growth, Page 20

ABB blames continuing recession for 19% decline

By Ian Rodger in Zurich

ABB Asea Brown Boveri, the Swedish-Swiss engineering group, suffered a 19 per cent slump in pre-tax profit in the third quarter to $183m, as recessionary conditions persisted in most of its key markets.

Pre-tax profits for the year, expected to be similar to last year's, are now forecast to be "somewhat below" last year's level.

Order intake was up only 10.4 per cent to $6.9bn in the quarter, compared with an 18 per cent growth rate in the first half.

"In western Europe, there was an unexpected deterioration of demand in recent months for investment goods," the group said. The turmoil in financial markets also provoked customers to delay projects.

The intake for large infrastructure projects, particularly for power plants, remained strong, with Asian and Middle East markets showing good growth.

Earnings in the power plant division were up, but the environmental control segment was hurt by weak demand in northern European construction markets. The transportation division had lower earnings, while others held their own.

Restructuring of European operations was being stepped up in preparation for an increase in cross-border public procurement in Europe following the introduction of the single market next year. The group gave no details, but said eastern Europe would be included in the process.

For the nine months, pre-tax profit was down 11 per cent to $679m on revenues up 4 per cent to $21.09bn. The order backlog on September 30 was $33bn, 28 per cent higher than a year earlier.

- *The Kahane family of Vienna*, which owns 88 per cent of Jungbunzlauer, the world's leading producer of citric acid, is making an offer to buy all the publicly-held shares of the company at Sch20,000 ($1,778) per share.

The share, one of 18 continuously traded on the Vienna stock exchange, closed yesterday at Sch16,395.

Jungbunzlauer was floated in 1985 at Sch12,000, but the limited float, together with a lack of transparency, meant it was seldom a popular stock.

Mr Emmerich Wengersky, a member of management, said the offer was being made because the company's activities were becoming more international and the directors wanted to have a free hand.

Audi favours Hungary for engine parts plant

By Nicholas Denton in Budapest

AUDI, the executive car division of Germany's Volkswagen group, has chosen Hungary over eastern Germany as the likely location for a large new engine components plant.

Audi's supervisory board yesterday gave approval in principle for an investment of DM320m ($200m) in Győr in western Hungary to establish the facility. The board said a final decision would be made after "concrete negotiations" between Audi and Hungarian authorities over the precise site and other conditions.

Audi hopes to begin production of up to 220,000 engine cylinder heads a year starting in mid-1994 with a workforce of 200.

Audi referred to the planned DM320m investment in engine component production as "a first stage". There has been speculation that the company could eventually move to full engine assembly at the site.

Audi said that Hungary won out against eastern Germany and Austria, the other two competitors to host the plant, because of the "cost advantages".

Mercedes-Benz decided last month to suspend plans for a DM1.5bn truck plant in eastern Germany because of costs and a more cautious assessment of growth potential in the German truck market.

Mr Rudolf Bohn, state secretary at the economics ministry in the eastern German state of Saxony-Anhalt, went further by conceding that lavish subsidies offered to induce Audi to eastern Germany had not been sufficient to make up for high wage levels.

Contemplation of a new plant outside Germany comes at a sensitive time for Audi, which last week announced job cuts of up to 4,000, or 10 per cent of its workforce.

The reduction in employment is likely to particularly affect the plant at Ingolstadt in Bavaria, where Audi has previously concentrated engine and cylinder head production.

The opening up of eastern Europe to investment has particularly highlighted German all-in labour costs, which in carmaking are six to 10 times the Hungarian level, for instance.

The decision to invest comes despite a sharp downturn in earnings at VW in the third quarter and a profit warning for the last quarter of the year. On the other hand, VW reported this week that output at Audi rose 13 per cent in the third quarter compared with 9 per cent growth for the whole group.

EAC to sell meat unit share

By Margaret Dolley in Copenhagen

EAST Asiatic Company (EAC), Denmark's largest trading group, has announced plans to sell 60 per cent of its Plumrose meat processing division to a group of Danish companies led by Tulip International.

The disposal is part of an attempt by EAC to raise funds to pull itself out of its present financial difficulties.

The group is also negotiating the sale of its US graphics division, Heidelberg Eastern, to the German company Heidelberger Druckmaschinen, which has interests in the west of the US. EAC said it would concentrate its future graphics business on Asia and Australia while maintaining investments in Scandinavia and Africa.

The divestments follow the recent appointment of Mr Michael Fiorini, former finance manager of the A. P. Moller group, as chief executive of the heavily-indebted EAC.

In its half-year report, EAC forecast a loss of DKr425m ($68m) for 1992. However, analysts now expect this figure to be considerably larger.

The Plumrose deal involves 10 factories in the UK, Germany and the US with a combined turnover of about DKr4bn. A letter of intent has been issued to Tulip International, which is seeking backing from international investors. It hopes to conclude the sale before Christmas.

Tulip International already has factories in Denmark, Germany and the UK as well as growing exports to the US, and has itself been through an extensive restructuring in the past two years. Its partners in the deal are slaughter companies Danish Crown, Steffi-Houlberg and Tican. The merger would create one of the largest forces in the international meat trade.

EAC is also streamlining its shipping division through the sale of a 60 per cent stake in EACBen, its container service between Europe and the Far East, to American President Lines. EAC's two newest container vessels are being sold to the venture, which is capitalised at $120m.

UK fund manager chairman resigns

By Norma Cohen, Investments Correspondent

MR DAVID Backhouse, chairman of UK fund managers Henderson Administration, resigned suddenly yesterday, saying regulators had questioned his activities as managing director of a small bank which went into administration two years ago.

"The reasons for my resignation are unconnected with Henderson," he said.

"I was managing director of Authority Bank between August 1986 and April 1990. Regulatory bodies have recently expressed concern with my own role during this period," Mr Backhouse said in a statement issued through a firm of solicitors. While he did not specify which regulators, it is believed to be the Bank of England which had regulatory authority for the bank.

Mr Backhouse also resigned as a director of Witan Investment Company. He said that while he intended to "respond fully" to regulators concerns it would not be in Henderson's best interests to remain its chairman while he did so.

Mr Benjamin Wrey, Henderson's deputy director who is to replace Mr Backhouse, said the firm immediately notified Imro, the self-regulatory body for the fund management industry, of his actions.

Authority Bank went into administration on December 11 1990 with assets over £40m ($60.4m) invested largely in the UK property market.

The Bank was a subsidiary of Authority Investments, a quoted company also in administration. Henderson had been a major investor in Authority Investments.

COB accuses Ciments Français

By William Dawkins in Paris

A FRESH controversy yesterday broke over Ciments Français, the French cement producer, when the Paris stock market watchdog, the Commission des Opérations de Bourse (COB), accused it of breaching takeover rules.

The COB said it had sent a report to the public prosecutor indicating that Ciments Français had obtained control of more than one-third of Guintoli, an Arles-based construction group, without launching a takeover bid as demanded by stock exchange rules.

This is the second scandal to surround the cement group after the disclosure last month of exceptional losses of FFr655m ($120.3m) on off-balance sheet dealings. As a result, Mr Pierre Conso, its former chairman, was forced to stand down. He bought FFr1.4bn of shares off the balance sheet, including FFr350m worth of Guintoli shares, according to Mr Bernard Laplace, the new Ciments Français chairman.

The losses obliged Paribas, the investment bank which used to control Ciments Français, to knock FFr500m off the price at which it was selling a controlling stake in the cement group to Italcementi, the Italian cement company.

Ciments Français declared a 32.9 per cent stake in Guintoli last June, says the the COB report, the result of a two-month inquiry. However, the COB believes Ciments Français really controlled more than that through an agreement it signed in 1989 with Prigest, a management company, to buy Guintoli shares.

This accord covered 17.9 per cent of Guintoli's capital at its most recent renewal date, two months ago. Ciments Français is also alleged to have agreed to buy 20 per cent of Guintoli from four institutions between October 1991 and last February.

The COB is conducing a separate inquiry into the accuracy of Ciments Français' accounting information.

'Final' plan for Uni Storebrand

By Karen Fossli in Oslo

THE board appointed by the Norwegian government to administer Uni Storebrand, the country's biggest insurer, yesterday unveiled a "final" proposal for recapitalising the crippled group designed to convert debt to equity and to raise fresh capital.

Uni collapsed in August into the hands of public administrators under the strain of NKr4bn ($608m) worth of debt incurred through financing its 28.3 per cent, NKr4.7bn, non-influential stake in Skandia Forsikrings, Sweden's biggest insurer.

The proposal is comprised of a write-down of Uni's outstanding shares, conversion of debt to equity and a share issue based on cash payment for subscription. Uni's administration board is hoping to raise about NKr1bn through the issue.

The board has set a deadline of November 30 for creditors to respond to the recapitalisation proposal.

Uni's biggest creditor is West Deutsche Landesbank with an estimated NKr1bn in outstanding debt. Statoil, the Norwegian state oil company, has outstanding debt totalling NKr400m and the country's three biggest banks – Den norske Bank, Christiania Bank and Fokus Bank – all hold Uni debt.

Under the terms of the proposal, creditors with outstanding debt of more than NKr5m can covert their debt partly to shares in the company and partly to convertible bonds – which can later be converted to shares – and partly to ordinary long-term bonds.

Creditors with outstanding debt of less than NKr5m can convert their debt into ordinary long-term bonds which will be bourse-listed.

Uni's nominal share value of NKr20 a share is to be written down to NKr1 a share with a subscription price for the new share issue set at NKr2 a share.

In an earlier proposal which creditors rejected, shares were to be written down to NKr2 each, while subscription to the share issue was set at NKr3 a share.

Moody's downgrades DnB senior debt

By Karen Fossli

MOODY'S Investors Service, the US-based rating agency, has lowered the senior debt rating of Den norske Bank, Norway's biggest bank, due to the financial pressures caused by weak third-quarter results.

Moody's downgraded DnB's senior debt, affecting approximately $1.7bn, to A3 from A2, but confirmed the bank's commercial paper rating at Prime-2. DnB plunged to a nine-month net loss of NKr2.46bn ($374m), compared with a NKr2.33bn profit in the same period last year.

On Monday, the state-backed bank insurance fund announced a rescue package in which DnB will receive NKr1.5bn ($228m) in preference capital and a NKr600m state guarantee. The fund gave DnB NKr5.9bn last year.

Danish financial groups abandon proposed merger

By Margaret Dolley

THREE Danish companies – the second-biggest bank Unidanmark, insurer Tryg, and mortgage credit association Nykredit – have abandoned plans for a merger which would have created Denmark's largest financial institution.

The announcement has been heralded as the end of a period of consolidation in the financial sector.

The merger – which had been under discussion for two years – would have required changes to the law.

The banks said this seemed politically unlikely at the present time, after the collapse of the insurance company Hafnia and the problems faced by other Danish financial institutions.

Tryg and Nykredit said they would try to proceed with their own merger.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Pool for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.93	20.32	20.32
0100	25.13	23.45	25.73
0130	30.01	28.17	30.60
0200	30.01	28.17	30.55
0230	22.51	22.63	24.77
0300	22.48	20.37	20.37
0330	20.50	20.32	20.32
0400	17.93	17.72	17.72
0430	17.72	17.73	17.73
0500	17.72	17.74	17.74
0530	17.93	17.93	17.93
0600	17.93	17.93	17.93
0630	18.06	20.32	20.32
0700	22.84	23.56	25.60
0730	22.84	23.44	25.56
0800	24.36	23.56	25.76
0830	30.04	23.63	25.63
0900	30.04	23.73	25.96
0930	24.36	26.00	27.26
1000	30.04	25.03	27.31
1030	30.04	24.63	26.90
1100	24.36	24.63	26.90
1130	24.36	24.73	27.04
1200	24.36	25.21	27.68
1230	24.36	25.16	27.61
1300	24.36	25.05	27.34
1330	23.26	23.70	26.32
1400	23.26	21.48	21.48
1430	23.26	21.33	21.33
1500	23.26	21.66	21.66
1530	23.26	21.92	21.92
1600	27.91	24.40	26.56
1630	33.19	33.43	37.31
1700	42.19	54.22	69.84
1730	42.62	62.61	74.14
1800	38.46	59.36	65.82
1830	29.47	41.86	47.49
1900	26.58	26.60	31.81
1930	26.56	25.77	28.23
2000	24.64	23.76	25.94
2030	24.64	23.59	25.72
2100	24.64	23.57	25.70
2130	24.64	23.56	25.71
2200	22.72	23.59	25.72
2230	22.72	23.56	25.73
2300	20.50	20.37	20.37
2330	17.93	20.32	20.32
2400	17.93	17.93	17.93

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are [illegible]

Moody's lowers ratings of top Japanese brokers

By Robert Thomson in Tokyo

THE senior ratings of Japan's big four brokers were downgraded yesterday by Moody's Investors Service, the US ratings agency, which suggested their already weak earnings will be put under further pressure by planned financial deregulation.

The four houses, Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities, had senior debt ratings lowered, with Yamaichi falling from A3 to Baa2, due to Moody's belief that the company is likely to lose market share in coming years.

None of the four brokers made a net profit in the first half to the end of September, though Daiwa broke even, and it, Nomura and Nikko reported small pre-tax profits. Yamaichi, the weakest of the leading brokers, reported a pre-tax loss of Y19.3bn ($155.5m), and a net loss of Y15.8bn, as stock turnover and prices continued a fall that began almost three years ago.

Moody's said Nomura would "remain the undisputed leader in the sector", but that even it was heavily dependent on brokerage commissions for revenue, and likely to suffer because of "a secular change in the nature of stock trading activity in Japan.

"Future growth in the securities business, such as underwriting of straight bonds for Japanese companies, are likely to be arenas of tough competition with the entry of banks' securities subsidiaries, thereby reducing Nomura's market share," Moody's said.

Similar comments were made about the other three houses, which were also said to have "a relatively inflexible cost base". Moody's said the four houses "may be required to help closely related securities companies", as smaller brokers, which have less diversified revenue sources, have been harder hit by the market's collapse.

In announcing the downgradings, Moody's said the four leading companies had "good liquidity and good capital", characteristics absent at some smaller houses, which reported particularly embarrassing losses in the first half and have announced restructuring programmes.

Losses for most houses are likely to be larger for the full year to end-March as they deferred the write-off of mounting losses on their stock portfolios. However, some houses have already responded to criticism that they have failed to cut costs – Yamaichi plans to reduce management staff by 40 per cent – but even deeper cuts are likely in coming months.

Moody's lowered the senior debt rating at Nomura and Nomura Bank International from A1 to Aa2, while Daiwa's rating was lowered from A3 to A1. Nikko's senior rating was downgraded from A3 to A2, and there were similar falls at a range of subsidiaries. The agency confirmed Nomura's Prime-1 rating for commercial paper.

Berlitz accepts new offer from Fukutake

By Alan Friedman in New York

THE PRICE of Berlitz shares rose by nearly 22 per cent yesterday morning after the US language school and publishing group said it had agreed to accept a revised and lower takeover offer from Fukutake, the Japanese publishing company.

Fukutake, which will reduce the cash part of its payment from $21.62 to $19.50 per share, had asked for a renegotiation of its bid earlier this month after Berlitz reported a sharp decline in profits for the third quarter.

The company's operating income for the quarter was $1.2m, down from $5.2m in the same period last year. Net income for the 1992 quarter tumbled by 88 per cent, to just $700,000.

On Wall Street, the Berlitz share price jumped by $3¾ to $21 at mid-session yesterday, above the actual amended offer price.

One reason for this was that while shareholders will receive less cash, Berlitz's outstanding borrowings will be $115m rather than the $160m of the previous accord.

As in the earlier deal, shareholders of Berlitz will still receive a 0.165 share of new common stock, together with contingent rights to receive a portion of the net proceeds from the sale of promissory notes issued by Maxwell Communication Corporation (MCC), which is currently operating under Chapter 11 bankruptcy protection.

MCC has featured in the Berlitz saga because some 56.5 per cent of Berlitz stock was pledged to banks last year as collateral for loans made to the late Mr Robert Maxwell. These shares have been the subject of litigation.

As in the earlier deal, Berlitz shareholders will end up with 33 per cent of the company and the Japanese buyer will own the majority 67 per cent stake.

Asarco to make $122m provision for 1992

By Kenneth Gooding, Mining Correspondent

ASARCO, the US mining and metals group, is to make a $122m after-tax provision to its 1992 results. The group reported net earnings of $30.4m, or 74 cents a share ,for the nine months to September.

The provision will include $57m for the adoption of Financial Accounting Standard Board Statement (FASB) 106 on accounting for post-retirement benefits. Mr Richard Osborne, chairman, said the company had the option of spreading the liability over 20 years, but "rather than burdening future earnings with this charge, we prefer to put it behind us."

There will also be a $43m addition to the provision for environmental costs associated with historic operations. At the end of the third quarter, Asarco's environmental reserve stood at $92m. Mr Osborne said that recent developments had enabled Asarco to estimate requirements with more certainty.

The company is also including a $22m charge for the write-off of certain older facilities following completion of its expansion and modernisation programme.

Asarco has also adopted FASB 109, "accounting for income taxes," which will not require a charge to 1992 earnings but prior-year earnings will be reduced and restated by $20m. Of that, $13m will be made to 1990 earnings and the balance to the years before.

AT&T to fight rivals' telephone network

By Louise Kehoe in San Francisco

AMERICAN Telephone & Telegraph (AT&T) has raised objections to an agreement between MCI Communications and Stentor, a consortium of Canadian telephone service companies, to create the first integrated North American telephone network.

AT&T said it had asked the US Federal Communications Commission to investigate if the agreement, announced in September, violated policy against exclusive arrangements between US and foreign telephone companies.

MCI is the second-largest long-distance telephone service provider in the US, after AT&T. The Stentor consortium includes nine of Canada's telephone companies, including Bell Canada.

AT&T also said yesterday it had notified MCI and Stentor that their proposed use of MCI's "intelligent network" software in Canada could violate AT&T patents.

Stentor is to pay MCI a one-time fee of $150m for rights to use this software as part of the alliance agreement. The US and Canadian groups also agreed to develop further "intelligent network" services.

AT&T claims, however, that the MCI software violates patents covering technology enabling services such as toll-free numbers, credit card verification and those allowing businesses to create private telephone links using public network lines.

The longstanding patent dispute between AT&T and MCI has taken on a new dimension with MCI's agreement with Stentor. "We will not allow MCI to get a free ride on AT&T's $3bn annual investment in research and development," said Ms Judith A. Maynes, vice-president (law) for AT&T.

"It's particularly disturbing that MCI is trying to use AT&T technology to set up service arrangements with the de facto monopoly carrier in Canada in a way that excludes other US companies from offering intelligent network services to their customers through Stentor," she added.

MCI officials were not immediately available for comment.

Canadian life insurers' rating higher than US

By Bernard Simon in Toronto

CANADA'S life insurers are in better financial shape than their US counterparts, but face a significant competitive threat from the big domestic banks, according to a report by Standard & Poor's, the New York rating agency.

S & P predicted that the Canadian industry "will continue to be well-capitalised, generally profitable and financially strong". Most of the largest underwriters – including Sun Life of Canada, *Manufacturers Life, Great-West Life* and Canada Life – still carry a Triple A rating on their ability to meet policyholders' claims.

The optimistic assessment is based largely on the fewer number of competitors than the US and the greater market penetration of the leading companies.

S & P estimates that the top five Canadian insurers have an operating leverage of 8.9 times capital, well below the 14.6 times leverage of the leading US companies.

The combined capital base of the five largest Canadian companies was C$8.3bn (US$6.4bn) at the end of 1991, about one-third the size of their US counterparts. The US economy is about 10 times the size of Canada.

The jewel in France's industrial portfolio

William Dawkins and Paul Abrahams look at the transformation of Rhône-Poulenc

RHONE-POULENC, the French majority state-owned chemicals and pharmaceuticals group, has transformed itself from a rag-bag of chemicals businesses into the envy of the industry.

Six years ago, the French government put a management consultant, Mr Jean-René Fourtou, an expert on the pharmaceuticals industry, in charge. He was told to shake some strategic sense into the company. Today, it is a star of the government's industrial portfolio and is being readied for partial privatisation before next February.

After some FFr40bn ($7.4bn) worth of acquisitions and FFr12bn worth of disposals since 1986, Rhône-Poulenc now generates more than 60 per cent of its operating profits from pharmaceuticals, a far more profitable and less cyclical business than its original metier. The transformation has been so complete analysts believe the healthcare businesses could provide all of group operating profits during this year's fourth quarter.

New arrivals include Rorer, the US pharmaceuticals business, Connaught, the Canadian vaccines group and the speciality chemicals businesses, Britain's RTZ Chemicals and GAF of the US.

During the transformation process, Rhône-Poulenc has doubled its turnover to FFr83.8bn last year, risen from 12th to seventh in the world chemical industry rankings, and lifted foreign sales from 70 to 78 per cent of the total.

Now that Rhône-Poulenc and other partially privatised state giants such as Péchiney in aluminium, and Elf Aquitaine in oil have emerged from their shake-ups, the government is starting to cash in on the results. It badly needs to sell shares in such groups at a time when the budget deficit is growing faster than expected and when it needs cash to fund job creation programmes.

However, Mr Fourtou's achievement has not been without cost. The group has a reputation for paying prices no private company would like to rival, such as the estimated $1.7bn it spent two years ago for a majority stake in Rorer, the US pharmaceuticals group.

Rhône-Poulenc's acquisition binge has left it with debt that few privately-owned businesses could manage. The company is struggling to reduce gearing, presently at 86 per cent. Analysts believe it is unlikely to meet its publicly-stated target of reducing gearing to 50 per cent by the end of 1993.

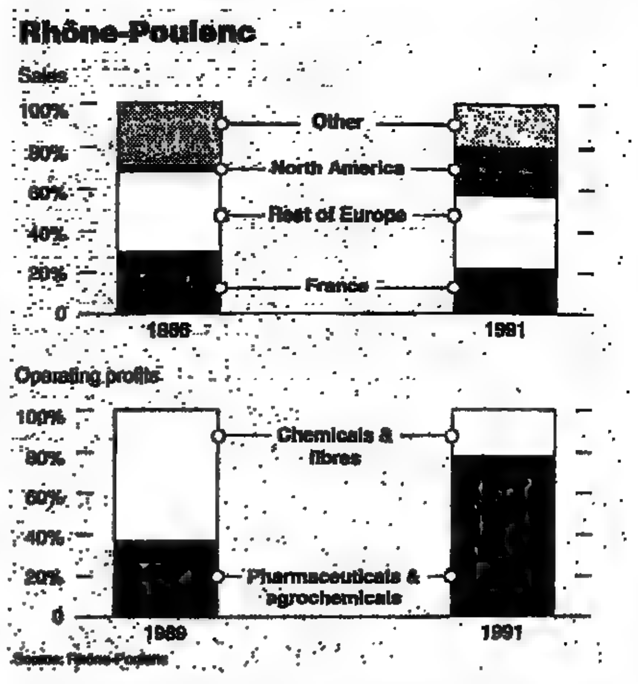
Mr Fourtou's efforts to reduce group debt have been hit by the general decline in prices for chemicals companies. As one analyst explains: "Forecasts for the chemicals industry are deteriorating and decent asset prices are difficult to achieve."

One asset sale Rhône-Poulenc would like to make is its titanium dioxide business. But the group has not found anyone willing to pay the price it wants. To achieve its disposals target of FFr3bn this year it needs two substantial sales before the end of December. The polyester, rare earths and aluminas businesses are potential candidates.

Meanwhile, the group has not remained immune from the worldwide downturn in the chemical industry. Its agrochemicals business, the world's fourth-largest, has also been hit by poor weather and the reform of the EC's common agricultural policy.

Group profits before tax and after minority interests during the third quarter fell to FFr31m from FFr757m in 1991, mainly due to exchange rate losses, a risk of its internationalisation. Company forecasts for operating profits growth this year have been downgraded from 20 to 10 per cent.

Next year's group results should improve. Although the cyclical chemicals businesses operating profits are likely to



deteriorate, they should be offset by continuing growth in pharmaceuticals, in spite of an increasingly tight pricing environment in the US and Europe.

The group should be cash-flow neutral this year and positive next year, even without asset sales. Margins should benefit from cost-cutting. Capital expenditure – including environmental spending – is likely to be cut next year. Further job losses are probably in the pipeline.

Rhône-Poulenc's non-voting shares – or preferred investment certificates – have fallen from FFr543 at the end of October, when the government sell-off was announced, to FFr493.50 yesterday.

In normal circumstances, analysts argue Rhône-Poulenc would be a prime candidate for a Lord Hanson-style break up. Its senior executives admit the combined value of its holdings in Rorer, Roussel-Uclaf, Institut Mérieux are more than Rhône-Poulenc's market capitalisation, effectively giving the chemicals operations a negative net worth.

Analysts believe the relatively modest size of the sell-off, between FFr3bn and FFr4bn depending on the price, should ensure its success. More problematical will be encouraging holders of the group's preferred investment certificates (PICs) and participating shares (PSSAs) to swap them for ordinary shares. The former have no voting rights, but offer preferential dividends. Some analysts are dubious about the merits of swaping a preferential dividend for a vote in a company effectively still controlled by the state.

Where does the company go from here? Rhône-Poulenc reckons it has more or less completed the reshaping of its business portfolio and it has achieved the critical size required in its five sectors, health care, agrochemicals, fibres, specialty chemicals and chemical intermediates.

It does not envisage any more big acquisitions in the near future and says its asset sales programme will start to run down, from FFr3.1bn in 1991 to FFr3bn this year and less next. Meanwhile, Mr Fourtou's team plans to devote the next three to five years seeking productivity improvements across the group and integrating the acquisitions. Increasing the flow of new products will also be a priority, especially at Rorer, whose portfolio of non-generic medicines is older than that of some competitors.

The coming share sale and the simplification of the group's complex share structure that goes with it is widely seen in France as a step towards full privatisation. It will "closely resemble a private-sector company," claimed Mr Jean-Pierre Tirouflet, the finance director, yesterday. For example, the chairman will be chosen by the public-sector dominated supervisory board, rather than nominated directly by the government.

While the Socialist government is committed to keeping majority control for the state and state-owned bodies, Rhône-Poulenc is likely to be a prime candidate for a sell-off under a Gaullist government, likely to take power after the legislative elections next March.

Yet, despite its high debts, it does not plan to take advantage of the climate for privatisation to make a rights issue for the time being. Mr Fourtou has said he prefers to live with continuing debts rather than risk diluting earnings per share.

Government to delay setting share price

By William Dawkins in Paris

THE French government is awaiting a rise in the depressed Paris stock market in the next few weeks before setting the price for the partial privatisation of Rhône-Poulenc, the state-owned chemicals and pharmaceuticals group.

Mr Michel Sapin, the French finance minister, said that the government was showing confidence in the stock market's "great capacity to appreciate" by giving the go-ahead for the sale of at least 6m Rhône-Poulenc shares, 10.6 per cent of the total.

The international offer for sale will take place before February on a date to depend on stock market conditions, the finance ministry announced earlier, as carried in late editions of yesterday's FT.

Of the total, 2.7m shares will be on offer in France, at least 1m will be offered in the US and 1.7m will be placed on other international markets.

The remaining 600,000 shares, 10 per cent of the total being sold, will be reserved for group employees, at a 10 per cent discount to the offer price.

French commercial banks Société Générale and Banque Indosuez will manage the French share sale, while the US shares will be handled by Morgan Stanley.

As a result of the sale and the enfranchisement of non-voting shareholders, the government's direct voting stake will drop from 77.5 per cent to around 45 per cent.

However, the public sector will still have a majority, thanks to stakes held by Crédit Lyonnais, the state-owned bank, and AGF, a state insurer.

The government has reserved the right to sell more shares if required.

The finance ministry confirmed that, following the sale, the government will offer to exchange Rhône-Poulenc preferred investment certificates and participating shares series A – two kinds of non-voting stock – into ordinary voting shares, at a rate of one for one.

Cost cuts hold Suzuki Motor to 11.5% decline

By Steven Butler in Tokyo

SUZUKI Motor, the Japanese car and motorcycle maker, yesterday reported an 11.5 per cent fall to Y9.35bn ($76m) in parent-company pre-tax profits in the half-year to September.

The results, relatively robust compared with most Japanese vehicle makers, were underpinned by a 2.7 per cent rise in sales to Y518.5bn. Exports of motorcycles were particularly strong, with sales up by 32.6 per cent to 203,416 units.

Unlike many competitors, Suzuki reduced general administrative and sales costs, from Y66.8bn to Y61.8bn. As a result, Suzuki's operating profits rose by 43.4 per cent to Y13.79bn.

But the pre-tax figure was dragged down by a sharp deterioration in non-operating costs, following an improvement last year. Non-operating costs were Y4.49bn, against non-operating income last year of Y990m.

Sales of motorcycles rose by 14.3 per cent to Y88.8bn, while car sales climbed by 1.2 per cent to Y367.4bn.

Although Suzuki's mini-car business was hit by a decline in Japan's mini-car market, with sales off by 6.2 per cent to 235,634 units, sales of small cars with engines under 2,000cc rose by 25.9 per cent to 29,147.

Total unit sales of motorcycles were up by 8.2 per cent to 203,416 units, while car sales were down by 2.3 per cent to 403,057 units.

Net profits fell by 14.3 per cent to Y4.14bn.

Dorbyl down 21% to R92m

By Philip Gawith in Johannesburg

LOSSES in the contracting and trading divisions caused earnings at Dorbyl, the engineering and industrial group in South Africa's Rembrandt group, to fall by 21 per cent in the year to September.

Turnover rose marginally to R2.98bn ($597m) from R2.90bn, but operating income was 19 per cent lower at R141.1m, compared with R173.2m. Higher borrowings increased interest charges by 12 per cent, but a lower effective tax rate, mainly due to export incentives, resulted in a reduced tax charge. Attributable earnings fell by 21 per cent to R92.3m from R116.5m.

Mr David Mostert, chief executive, described this performance as "satisfactory" given a "marked decline in activity" in most sectors.

Trust Bank of New Zealand ahead 28%

TRUST Bank, New Zealand's only remaining locally-owned trading bank, yesterday reported a 28 per cent rise in net profits to NZ$27.1m (US$14.5m) for the six months to September 30, writes Terry Hall in Wellington.

The directors said they expected profits to be up 20 per cent for the full year. Last year, the bank earned NZ$42.4m.

The country's other leading banks have been sold overseas – a process that accelerated after deregulation of the country's banking system in 1984.

Mr Graeme Pentecost, managing director, said the result showed the bank was recovering from losses on its commercial book, which marred the last full-year result.

He said the improved performance reflected continuing growth and a rising share of the local market. The bank has been promoting the fact that it is locally owned.

Trust Bank increased its housing book by $NZ310m to NZ$3.5bn in the period. Assets climbed NZ$400m to NZ$7bn.

The bad debts reserve remained at NZ$27.3m. Mr Pentecost said the bank's risk-adjusted capital adequacy ratio had strengthened from 9.9 to 10per cent, ahead of the New Zealand Reserve Bank's requirement of 8 per cent.

Illinois Tool launches rival bid for Siddons

By Kevin Brown

ILLINOIS Tool Works, the US engineering group, yesterday emerged as a rival bidder for Siddons Ramset, the Australian hardware and fasteners group for which BBA, the UK component maker, has offered A$86m (US$58.8m).

W.A. Deutsher, an Australian subsidiary of Illinois Tool, said it had offered A$2 a share for Siddons, valuing the company at A$94m.

Pacific BBA, an Australian subsidiary of BBA, offered A$42m in cash and shares worth A$44m.

Siddons, which has rejected the BBA offer, did not respond to the announcement by Deutsher.

Siddons is seeking an order from the federal court to force Pacific BBA to increase the information in its offer document.

Siddons claims the document does not provide shareholders with sufficient information to make an informed assessment of the true value of the share element of the offer.

Mr Graham Johnston, Deutsher managing director, said that the Illinois Tool offer was subject to 90 per cent acceptance by shareholders and approval by the Foreign Investment Review Board, which monitors overseas investment.

Mr Johnston said Siddons was a leading customer of Deutsher, while Illinois Tool Works was an importer of Siddons products.

He said Siddons would continue to operate separately if the bid succeeded.

Illinois Tool is a multinational manufacturer of engineering components and systems.

The group's head office is in Illinois, but it operates in more than 35 countries and employs about 18,700 people.

It reported net profits of US$180m in 1991, on revenues of US$2.6bn.

● **Campbell Soup**, the US foods group, said the Australian Securities Commission had granted it an extension until December 11 to mail takeover documents to shareholders of Arnotts, the Australian bakery group, Reuter reports from Sydney.

The documents originally had to be in the hands of shareholders yesterday.

Campbell had sought the extension on Monday after it said it had disagreed with the Arnotts board's interpretation of a 1985 heads of agreement between the two companies.

John Fairfax board comes under attack from shareholders

By Kevin Brown in Sydney

THE board of John Fairfax, the Australian newspaper group, was heavily criticised by shareholders at the annual meeting yesterday over plans for share options and housing loans to directors.

Mr Conrad Black, deputy chairman, clashed with Mr Malcolm Turnbull, the Sydney merchant banker who helped organise the acquisition of Fairfax by the Tourang consortium led by Mr Black's UK Daily Telegraph group.

The shareholder unrest followed the withdrawal of proposals for a senior executive share option scheme after criticism by the Australian Stock Exchange and legal action by Mr Turnbull.

Mr Black said he was "chastened" by the controversy surrounding the scheme, which he said had been caused by "technical errors" in the drafting of the resolution.

However, shareholders also criticised a separate distribution of options to a South African company to secure the appointment of Mr Stephen Mulholland as chief executive and a proposed A$1m (US$714,000) interest-free housing loan to Mr Michael Hoy, deputy chief executive.

Employee shareholders said the remuneration packages were "particularly offensive" against a background of cuts in staff numbers and reductions in editorial budgets.

Mr Turnbull, who resigned from Tourang after a series of disputes with Mr Daniel Colson, deputy chairman of the Telegraph group, received prolonged applause after criticising the option schemes.

He said that directors had tried to keep shareholders "in the dark" about the "excessively generous" options relating to the employment of Mr Mulholland, which represented "a very poor reflection on the business acumen of the board."

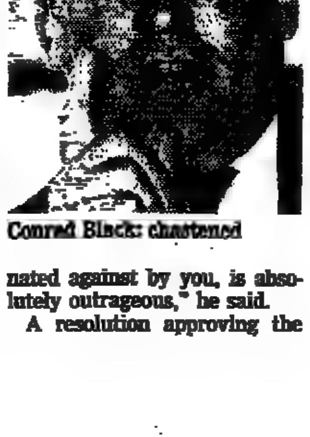
Mr Black said that he was mystified by the support for Mr Turnbull's attack on the board, which had re-established Fairfax as a profitable company following several years in which it had been "humiliated, degraded and rent asunder."

He added that there was nothing "reprehensible or shifty" about the board's treatment of the options issue, and claimed the board's commercial judgment would be borne out by results.

Mr Black also attacked a suggestion by Mr Turnbull that the Australian members of the board had failed to restrain the Canadian and US directors representing the Telegraph group and Hellman and Friedman, the US investment bank.

"Your attempt to discriminate between the Australian and non-Australian directors I find dishonourable and disgusting.

"For us to be treated in this way, harangued and discriminated against by you, is absolutely outrageous," he said.



Conrad Black: chastened

A resolution approving the housing loan to Mr Hoy was heavily defeated on a show of hands, but is likely to be approved in a ballot of shareholders.

The result will be announced tomorrow.

Sir Zelman Cowen, chairman, said Fairfax had operated at budget levels in the first quarter of the current financial year. The group reported in August that pre-tax profits for the year to June increased by 9.8 per cent to A$130m.

Fairfax was acquired by the Tourang consortium in December for A$1.4bn.

The group publishes the Sydney Morning Herald, the Australian Financial Review and The Age in Melbourne.

$100m Maltese debut in syndicated loan markets

By Brian Bollen

MALTA is making its first appearance in the international syndicated loan markets. Enemalta Corporation, the 100 per cent state-owned monopoly which manages the islands' energy requirements, is raising $100m over seven years in order to complete its new Marsaxlokk power station.

Chemical Bank is co-ordinating a group of banks underwriting the loan, which is guaranteed by the republic. The other underwriters are ABN Amro, Société Générale, Sumitomo Bank and WestLB.

The margin over Libor is 52.5 basis points and front-end fees range downwards from 30 basis points for lead managers at $10m.

Bankers note that while the basic yield is not over-generous at around 60 basis points, the tax receipts available to lenders to set against their own corporation tax liabilities could double or even treble the return.

The syndicate is expected to have a heavy continental European flavour, with a particularly large German contingent. Maltese borrowings are 100 per cent-weighted for capital adequacy purposes, as it is outside the Organisation for Economic Co-operation and Development.

Malta has been cautious on foreign borrowing and its net foreign assets of around $1.5bn comfortably exceed its total official external debt, which central bank sources put at around $150m. This does not include lease finance arranged for flag carrier Air Malta.

Poor inflation figures help to depress bund prices

By Sara Webb in London and Patrick Harverson in New York

GERMAN government bonds fell on the combination of poor inflation figures and disappointment that the Bundesbank failed to indicate any willingness to lower interest rates at yesterday's repo operation.

The Bundesbank accepted bids for DM70.5bn at its tender for 14-day securities repurchase agreements, allocating funds at 8.75 per cent and above.

GOVERNMENT BONDS

The bund market had hoped to see a lower rate at the repo, and was disappointed that the rate remained unchanged. Although the amount allocated represented a net injection of liquidity of DM10.9bn, dealers said this was mainly for technical reasons.

The announcement of worse-than-expected inflation figures for two of the big German states provided further disappointing news for the bund market. North Rhine-Westphalia reported a 0.5 per cent rise in its consumer price index in the month to mid-November, giving a year-on-year rise of 3.7 per cent. Consumer prices in Baden-Wuerttemberg rose 0.3 per cent in the month to mid-November, up 3.3 per cent year-on-year.

Preliminary November consumer price figures for west Germany are expected to be published later this week or early next week.

The Liffe bund futures contract fell from its high of 91.65 to end at around 91.33. Dealers said the yield curve flattened at the longer end, and steepened at the short end.

Elsewhere in Europe, French government bonds ended slightly firmer helped by a rebound in the currency early in the day. The yield on the 8½ per cent bond due 2003 opened at 8.25 per cent and ended at 8.24 per cent.

■ UK government bonds gave up some of Tuesday's gains as funding worries continued to haunt the gilt market. Dealers expect concern about the government's heavy borrowing requirement to depress prices ahead of the Bank of England's £2.5bn gilt auction on December 2.

The Liffe gilt future contract fell from 100.20 to 100.05 by late afternoon, and prices drifted down in the cash market with the 9¾ per cent gilt due 2002 losing $\frac{3}{32}$ to end at around $109\frac{1}{32}$.

■ JAPANESE government bonds ended higher in Tokyo on dealer short-covering. The announcement of a successful auction result after the Tokyo market closed helped to push up JGB futures prices further in London trading.

The Finance Ministry offered Y800bn of 10-year bonds with a 4.8 per cent coupon, the lowest coupon for a 10-year JGB in over three years. The average auction price was 100.25, yielding 4.763 per cent, and the bid to cover ratio was 3.9 per cent which dealers said signalled reasonable demand for the issue.

The yield on the benchmark No 145 ended at 4.605 per cent, having traded in a range of 4.6 to 4.625 per cent. The key March futures closed at 107.74 in Tokyo, against its opening level of 107.65, and traded up to 107.79 in London.

■ US Treasury prices eased across the board yesterday morning in the wake of more statistics showing a stronger than expected economy.

By midday, the benchmark 30-year government bond was down $\frac{1}{16}$ at $101\frac{1}{32}$, yielding 7.532 per cent. At the short end of the market, the two-year note was even weaker, down $\frac{1}{32}$ at $99\frac{31}{32}$, yielding 4.708 per cent. Trading was light throughout because many market participants were winding down business early ahead of the long Thanksgiving Day holiday weekend.

Prices fell after the Commerce Department announced that third-quarter gross domestic product grew by 3.9 per cent, and not the 2.7 per cent originally reported last month. Analysts had been expecting the figures to be revised upwards, but not by so much.

Later in the session there was some more economic news that was bearish for bonds. Weekly jobless claims fell 12,000 to 374,000, and October existing home sales jumped 9.1 per cent.

FT FIXED INTEREST INDICES

	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	Year ago	High *	Low *
Govt Secs(UK)	93.98	94.08	93.83	93.96	94.05	85.70	95.54	85.11
Fixed Interest	108.89	108.90	108.80	108.92	108.98	95.47	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 24	Nov 23	Nov 20	Nov 19	Nov 18
Gilt Edged Bargains	185.0	141.6	159.9	158.6	173.1
5-Day average	183.6	163.7	172.5	183.4	214.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.8688	-0.070	8.79	8.81	8.85
BELGIUM		8.750	06/02	104.8400	-0.110	8.03	8.10	8.15
CANADA *		8.500	04/02	103.4500	+1.150	7.97	8.07	7.88
DENMARK		9.000	11/00	100.1250	+1.000	8.97	8.83	8.86
FRANCE	BTAN	8.500	03/97	101.0832	+0.141	8.17	7.98	8.24
	OAT	8.500	11/02	101.8250	+0.160	8.22	8.06	8.26
GERMANY		8.000	07/02	104.4800	-0.100	7.33	7.39	7.35
ITALY		12.000	05/02	94.3100	+0.225	13.49†	13.39	13.91
JAPAN	No 119	4.800	06/99	101.5985	+0.154	4.48	4.54	4.70
	No 145	5.500	03/02	105.8700	+0.137	4.60	4.67	4.80
NETHERLANDS		8.250	06/02	105.4000	-0.210	7.43	7.53	7.57
SPAIN		10.300	06/02	87.4750	-0.075	12.59	12.39	12.36
UK GILTS		10.000	11/96	109-12	-5/32	7.23	7.12	7.18
		9.750	08/02	109-08	+4/32	8.34	8.31	8.24
		9.000	10/08	102-08	-7/32	8.73	8.67	8.82
US TREASURY *		6.375	08/02	98-25	-6/32	6.53	6.81	6.87
		7.625	11/22	101-03	+1/32	7.53	7.53	7.68
ECU (French Govt)		8.500	03/02	97.8550	+0.080	8.84	8.65	8.79

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

German banks win modification to capital rules

By David Waller in Frankfurt

GERMAN banks have won a partial victory in their long-running battle over new capital adequacy rules which are to be introduced into German law at the beginning of next year.

The financial services committee of the Bundestag, the lower house of Germany's parliament, has decided to modify the government's proposals for capital adequacy rules to the benefit of banks.

The rules will still go further than the letter of the European Community directives which the new law will implement, but they will go some way to appeasing German bankers' worries about being put at a competitive disadvantage to other European banks.

At issue is the treatment of unrealised hidden reserves, which consist of extensive portfolios of shares, industrial participations and property, often acquired decades ago and standing at a much lower book value than market value. The German banks want to be able to unlock this value.

Under the letter of the EC directives, unrealised hidden reserves can count towards so-called "Tier 2" capital once a bank has accumulated "Tier 1" capital of 4 per cent. Banks' lending power is determined by the total amount of capital, which under the EC directives must be 8 per cent.

The German government, with the support of the Bundesbank, proposed that German banks should be obliged to accumulate Tier 1 capital – equity, retained earnings and profit-participating certificates – of 5 per cent before being able to count hidden reserves to a maximum of 1 per cent.

Under the compromise proposal, banks will be able to count their unrealised hidden reserves up to a new maximum of 1.4 per cent, once they have built up Tier 1 capital of 4.4 per cent.

Under the new rules, banks will not be allowed to take advantage of the full market value of hidden assets: for prudential reasons banks will only be able to count a certain percentage of the asset value.

In general, the new capital regime will be harder for German banks: at present they are obliged to have core capital of 5.6 per cent.

Under the Brussels-inspired rules, the total required will increase to 8 per cent but for the first time German banks will be able to include not only unrealised hidden reserves but also classes of capital such as subordinated debt.

Pricing of World Bank's sterling issue provides controversy

By Brian Bollen

STERLING shifted nearer to centre stage in the international bond markets yesterday, benefiting from currency nervousness elsewhere in Europe. The terms of the World Bank's first sterling issue for nearly two years, a £200m six-year exercise priced to yield 20 basis points over gilts, provided most of the day's controversy.

INTERNATIONAL BONDS

Although the World Bank is a rare issuer in sterling, and a triple-A rated name, traders claimed that Baring Brothers, the lead manager, had been, at best, naive in its pricing tactics.

Critics pointed out that the gilt over which they were priced is much closer to five years than six years, and that investors would do better buying existing World Bank bonds in the secondary market.

Barings acknowledged that the bond was expensive but insisted that the pricing was transparently and unashamedly pitched tightly, for what it described as the best credit in the market other than the UK government.

Barings also pointed out that remarks made by the French prime minister, Mr Pierre Bérégovoy, about vetoing the GATT accord after the syndicate broke in early afternoon hit Europe's bond markets, including sterling.

Barings said the bonds held their spread of 20 basis points over gilts throughout and closed the day at 18, while other banks said the spread had widened to around 24 to 25 basis points for a period. The World Bank swapped the proceeds swapped into floating rate D-Marks.

The £185m five-year issue for Cardiff Automobile Receivables is the second car loan-backed issue from that vehicle, note traders. One of its attractions is the clear short final maturity; issues of this type normally amortise at each coupon date. Goldman Sachs did well to put it together at speed, say traders, although they add it also looks expensive compared to bonds in the secondary market.

Société Nationale des Chemins de Fer Francais was able to increase its Kidder Peabody-led 10-year collared floater to $150m from $100m, to the surprise of some other bankers who feel that this particular market niche is not particularly attractive in current market conditions.

Fans of the structure argue, however, that the underlying reasons for its use – a wish for a yield in dollars coupled with uncertainty about the direction of yields – are still relevant.

The issue was said to have benefited not only from the quality of the name but from switching out of existing issues by other borrowers. SNCF swapped the proceeds into fixed-rate French francs. The European Coal & Steel Community's DM217m five-year issue was described as looking expensive.

In equity warrants, the four year issues by Matsushita Electric Works and Nishimatsu Corporation emerged at $300m and $150m respectively, through Yamaichi International. In line with current trends for higher pricing on these instruments, both pay a coupon of 2¾ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Matsushita Elec.Works(a)♦	300	2¾	100	1996	2¼/1½	Yamaichi Int.
Nishimatsu Cons.(b)♦	150	2¾	100	1996	2¼/1½	Yamaichi Int.
SNCF(c)†	150	(c)	99.30	2002	50	Kidder Peabody
Abbey Healthcare Group(d)§	75	6½	100	2002	3½	County Natwest Sec.
STERLING						
World Bank	200	7¼	99.00	1998	27.5	Baring Brothers
CARS(e)†	185	(e)	99.75	1997	-	Goldman Sachs
D-MARKS						
Euro.Coal&Steel Comm.	217	7⅛	101.50	1997	1⅝	Commerzbank AG
CANADIAN DOLLARS						
Federal Business Dev. Bk.	100	7¼	99.90	1996	1⅝/1.4	Wood Gundy
SWISS FRANCS						
Sumitomo Rubber Ind.(f)♦**	200	2¾	100	1996	-	Credit Suisse
Eurovias Highway Co.**	80	6½	102¼	2003	-	Credit Suisse

Final terms and non-callable unless stated. **Private placement. §Convertible. ♦With equity warrants. †Floating rate note. a) Final terms fixed on 3/12/1992. b) Final terms fixed on 1/12/1992. c) Amount increased from 100m. Coupon pays 6 month Libor minus 0.25bp. Minimum coupon 8⅛, maximum 8¼. d) Coupon payable semi-annually. e) Full borrowers name Cardiff Automobile Receivable Securitisation. Coupon pays 3 month Libor plus 45bp f) Final terms fixed on 27/11/1992.

Brazilian group acquires 12% stake in LatInvest

By Stephen Fidler, Latin America Editor

BOZANO Simonsen, the Brazilian financial group, is to acquire a 12 per cent stake in LatInvest, an investment banking group established this year to specialise in Latin American capital markets and corporate finance.

The Brazilian group will subscribe for a package of new equity and long-term debt totalling $8.2m. The InverMexico group, a Mexican financial services company, will have a 60 per cent stake. Management will subscribe to new shares to maintain its 28 per cent stake.

LatInvest, which has offices in London, New York and Geneva, is seeking other investors from Latin America, in particular from Argentina. But it is not expected that InverMexico's stake will fall below 50 per cent nor that of Bozano Simonsen below 10 per cent.

LatInvest has appointed Mr Tom Gaffney, former chief executive in London of Libra Bank, Chase Investment Bank and the Chartered West LB merchant bank, as its chairman.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 25

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	50	20
Other Fixed Interest	2	2	11
Commercial, Industrial	240	263	918
Financial & Property	124	126	553
Oil & Gas	17	21	46
Plantations	0	0	9
Mines	37	25	82
Others	37	40	38
Totals	466	527	1,677

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Nov. 23
- Last Dealings Dec. 4
- Last Declarations Feb. 25
- For settlement March 8

3-month call rate indications are shown in Saturday editions.

Calls in Anglo Utd., APV, ASDA, British Steel, Brown Shipley, ERA, Gestetner, Guinness, Haemocell, Hanson, Kalon, Telemetrix and Tiphook. Double in Babcock.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

25 November Total Contracts 28,248
Calls 19,330 Puts 8,918
FT-SE Index Calls 2,127 Puts 2,758
Euro FT-SE Calls 194 Puts 1,183
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Nov 25	Day's change %	Tue Nov 24	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.64	-0.05	128.70	2.35	10.99
2	5–15 years (25)	145.84	....	145.84	2.60	11.65
3	Over 15 years (8)	152.43	-0.21	152.75	2.82	10.57
4	Irredeemables (6)	170.85	-0.13	171.07	1.03	13.45
5	All stocks (61)	142.38	-0.04	142.44	2.55	11.64
	Index-Linked					
6	Up to 5 years (2)	184.30	+0.03	184.25	0.59	3.68
7	Over 5 years (10)	166.86	-0.10	167.03	1.20	4.04
8	All stocks (12)	168.00	-0.08	168.15	1.11	3.96
9	Debs & Loans (62)	123.58	+0.14	123.41	2.69	10.48

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 25	Tue Nov 24	Year ago (approx.)
	British Government				
1	Low	5 years	7.11	7.08	8.91
2	Coupons	15 years	8.24	8.21	9.67
3	(0%-7¾%)	20 years	8.50	8.47	9.67
4	Medium	5 years	7.46	7.44	10.01
5	Coupons	15 years	8.70	8.69	9.81
6	(8%-10¾%)	20 years	8.88	8.87	9.75
7	High	5 years	7.68	7.66	10.22
8	Coupons	15 years	8.99	8.99	9.90
9	(11%-)	20 years	9.07	9.07	9.81
10	Irredeemables(Flat Yield)		8.86	8.84	9.84
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.40	2.40	3.87
12	Inflation rate 5%	Over 5 yrs.	3.80	3.79	4.28
13	Inflation rate 10%	Up to 5 yrs.	1.58	1.58	3.23
14	Inflation rate 10%	Over 5 yrs.	3.61	3.60	4.09
15	Debs &	5 years	8.88	8.85	11.58
16	Loans	15 years	9.88	9.89	11.40
17		25 years	10.06	10.08	11.21

COMPANY NEWS: UK

Rothmans Intl flat at £266m

By Richard Gourlay

ROTHMANS International, the cigarette and luxury goods company, yesterday reported flat pre-tax profits, held back by lower interest rates on its investments.

Interim pre-tax profits in the six months to September 30 rose from £266m to £266.5m on sales 2 per cent up at £1.2bn. Net investment income fell 35 per cent to £21.6m (£33.1m).

Earnings per share rose to 20.9p (20p) and the interim dividend is increased by 7 per cent to 4p (3.75p).

Lord Swaythling, chairman, said that because so much of the group's profits were made abroad, it was almost paying out as much as it could in dividends without running into an ACT problem.

At the operating level, Rothmans increased tobacco profits, from £180m to £192m, despite a lower volume of cigarette sales. Sales increased in eastern Europe, particularly to the Commonwealth of Independent States. In the UK sales of Royals King Size 25's were strong.

These increases were offset by lower sales in Australia, because of what Lord Swaythling called swingeing tax increases and a price war. Sales also fell in Germany, because there were too many manufacturers, and in Indonesia and the Philippines, where Lord Swaythling said it was tough to achieve meaningful market share.

The operating profit was after a £9.2m exceptional charge covering rationalisation of the Australian and Philippine operations and stock write-downs of £3.9m in the Philippines and Indonesia.

Luxury products lifted their contribution at the operating level to £21.8m (£20.5m).

Translation of overseas company profits hit the pre-tax result to the tune of £5m.

Lord Swaythling said that the recent devaluation of sterling would benefit the current half.

Lord Swaythling

Wassall document attacks Evode debt

By Roland Rudd

WASSALL, the mini-conglomerate which has launched a hostile £94.3m bid for Evode, is expected to publish its offer document later today, highlighting the chemicals and plastic group's net indebtedness.

According to Wassall, Evode's net debt has risen from £6.6m in 1987 to £113m in 1991, which includes £40.7m of convertible preference shares and the $43m (£28.4m) unlisted US redeemable preference shares.

Evode argues that since the UK preference shares do not have to convert until 2001 they should be treated as equity.

However, Mr Christopher Miller, Wassall's chief executive, said holders of the preference shares would only be willing to lose their 7 per cent coupon and convert into equity if Evode's dividend grew by an annual rate of 18 per cent from 1993.

"Having cut last year's dividend by 44 per cent, I cannot see how Evode could increase their pay-out by 18 per cent a year," said Mr Miller.

Wassall also argues that some of the £70.2m of goodwill relating to Evode's 1989 purchase of Chamberlain Phipps should be written back into its profit and loss account following the recent sale of Chamberlain's shoe business.

Mr Miller said: "If just 10 per cent of the goodwill relating to Chamberlain is written back into Evode's accounts, it will wipe out the £6.5m which its own broker forecast for Evode's after-tax profits to September 28".

Evode's financial adviser yesterday said some goodwill relating to Chamberlain might be written back into its profit and loss account, but did not want to comment further until publication of the group's results next month.

Mr Miller said: "We will be asking how Evode will be able to fund capital expenditure, meet its redemption obligations, pay back the bank debt and payout preference and ordinary dividends all at the same time."

Evode is likely to take the two weeks allowed under Takeover Panel rules to reply to Wassall's offer document.

Associates help Caledonia to £19.3m

By Roland Rudd

CALEDONIA Investments, in which the Cayzer family holds a 46 per cent stake, increased pre-tax profits by 11 per cent in the half year to September 30 on the back of strong performances from associate companies.

Group profits rose to £19.3m (£17.4m) reflecting the increase in operating profits from trading activities to £6.2m (£1.6m).

This included first time contributions from the group's 27.3 per cent stake in Exco International and 45 per cent stake in Bristow Helicopter Group.

The two companies used to be part of British and Commonwealth Holdings, which Caledonia once effectively controlled before the financial services group collapsed more than two years ago.

Income from investments fell from £7.7m (£9.5m) because there was no longer any contribution from the holding of British and Commonwealth preference shares. The last instalment was repaid under the bank guarantee arrangements on April 3.

Interest receivable declined to £7m (£7.7m) because of lower UK interest rates. The group has net cash of some £140m.

Earnings per share increased to 14p (12.4p). The interim dividend is 5p (4.8p).

● Sterling Industries, in which Caledonia has a 21 per cent stake, reported pre-tax profits of £1.87m (£1.59m), after an exceptional gain of £238,000, on increased sales of £18.5m (£16.8m).

Earnings per share improved to 4.37p (3.75p); the interim dividend is maintained at 1.5p.

● Amber Industrial Holdings raised pre-tax profits from £1.2m to £1.47m in the half-year to September 30.

The speciality chemicals company is 75 per cent-owned by Caledonia.

Sales rose 26 per cent to £9.48m. The interim dividend is raised by 1p to 5.5p on earnings per share of 20p (16.8p).

Sale closer as potential TVS bidder withdraws

By Raymond Snoddy

THE SALE of TVS Entertainment, the south of England company which lost its franchise, to International Family Entertainment came a step closer yesterday when a second potential US bidder decided to withdraw.

Broadway Video, a television production company, had asked for information about TVS while the offer document for the sale to IFE was being produced.

Broadway has now said that it is not interested in making a bid for TVS, whose assets include MTN, the US production company behind such shows as Lou Grant and Hill Street Blues.

TVS said yesterday it had received no other approaches which would lead to an alternative offer.

IFE, the company behind the successful Family Channel in the US, has made a share offer worth about £45.3m, with a cash alternative of some £36m.

Many preference shareholders are still unhappy about the deal and Mr Julian Treger of Restructuring Advisers, who speaks for a number of them said yesterday he believed there would be enough opposition to block the sale.

Mr Treger said he believed the TVS assets should continue to be managed and it was wrong to sell at this depressed stage of the cycle.

Mr James Gatward, former chief executive of TVS, yesterday expressed concern that the most up-to-date information might not be available to shareholders before the December 15 closing date for the offer.

Benson Group

Benson Group has paid £505,000 for certain assets of Prola from the liquidator.

8.8% profits growth achieved as market share improves to 8.9%

Kwik Save advances to £111m

By Guy de Jonquières, Consumer Industries Editor

KWIK SAVE, Britain's largest discount grocery group, saw pre-tax profits increase from £101.7m to £110.6m in the year to August 29 while turnover moved ahead from £1.9bn to £2.5bn.

Sir Timothy Harford, chairman, said the company had achieved significant market share gains against a difficult economic background. "The market will continue to be tough this year, but we will continue to make progress."

He said that Mr Graeme Seabrook, chief executive since 1988, would leave in June to become managing director of Dairy Farm International Holdings, the Hong Kong-based company which owns 25 per cent of Kwik Save.

Mr Seabrook will be succeeded by Mr Graeme Bowler, managing director of Franklins, an Australian discount food retailer owned by Dairy Farm.

The 8.8 rise in pre-tax profits was achieved in a 52-week year, though Kwik Save used a 53-week accounting period the previous year. On a comparable basis, the increase was 10.8 per cent.

Operating profits rose by 14.8 per cent from £98.5m to £113.1m but the pre-tax result was after interest payments of £2.46m on borrowings made to finance the acquisition of stores from Gateway. Kwik Save received £3.21m in interest payments the previous year.

Trading margins fell from 4.7 per cent to 4.2 per cent. Kwik Save said the decline was due entirely to expansion of its drinks and tobacco businesses, which now accounted for 20 per cent of its sales and carried lower margins than grocery retailing.

Underlying volume from like-for-like sales grew by 12 per cent, while new stores contributed growth of 7.4 per cent and acquired stores added 5.1 per cent.

A further 9.3 per cent came from Liquorsave, the discount drink and tobacco business purchased from Argyll.

Kwik save said its market share rose from 7.8 per cent to 8.9 per cent during the year and that it was now the third largest retailer of branded package groceries after J Sainsbury and Tesco.

Turnover in the current quarter was 15 per cent ahead of last year.

Mr Seabrook expected discount stores to increase their share of the grocery market from about 10 per cent to about 15 per cent in the medium-term.

The final dividend is 11.3p, bringing the total for the year to 16p, an increase of 8.8 per cent, while earnings per share increased by 8.9 per cent to 48.21p (44.26p).

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Tate sweetened by market growth

By Maggie Urry

MR NEIL Shaw, chairman of *Tate & Lyle*, said yesterday that the world sugar market was growing at 2 per cent a year, while the starch market was growing at 6 per cent a year. The growth in sugar consumption was equivalent to a new market the size of the UK opening each year.

He said this gave the group plenty of opportunities to grow. During the year to the end of September, it recorded £172m of capital expenditure, up from a normal level of £100m to £115m, while another £61m was invested in buying companies or setting up joint ventures, such as in Hungary and Slovenia. This included a £9m investment in a venture owned by a consortium of food processors which would look at opportunities in eastern Europe and Russia.

This, a higher dividend, and the expectation of a bounce back in profits, encouraged the stock market to push the share price 12p higher to 368p yesterday despite a fall in pre-tax profits from £230.8m to £189.5m. The previous year's figures were restated for a change in accounting for post-retirement benefits which cost £3.8m in 1990-91 and £4.3m in 1991-92.

Profits were hit by £15.7m of reorganisation and redundancy costs, up from £6m, and a £7.1m write-off of start-up costs and stock write-downs related to sucralose, the group's new low-calorie sweetener which is awaiting approval from the US authorities.

However, there were non-recurring gains including a £3.3m write back of a provision no longer required, and a £11.7m refund, including interest, of US tax.

At the pre-interest level profits fell from £280.5m to £237.4m. Within that the Canadian sugar division saw profits down to £8.7m (£10.1m), and in the US to £30.9m (49.3m).

In the UK sugar profits rose to £50.3m (£49.9m), in Portugal to £12.4m (£9.5m) and in Australia to £6.8m (£3.3m). The group's sugar business in other areas made £1.7m (£2.4m).

In cereal sweeteners and starches, North American profits fell from £96.8m to £65.3m, but in Europe profits were up from £51.1m to £54m. Sugar by-products, such as animal feeds, increased profits from £17.5m to £20.1m.

Other activities such as reinsurance which was hit by Hurricane Andrew, lost £12.8m (loss £9.4m).

Movements in exchange rates cost £3.6m off pre-interest profits. But this is expected to swing the other way in the current year with every 1 cent movement in the sterling/dollar rate worth £600,000 to £700,000 to profits.

O'Reilly lifts Arcon stake to 23%

By Tim Coone in Dublin

MR TONY O'Reilly, chairman of the Heinz food group, has increased his personal stake in Arcon, an Irish exploration company, by 1.4m shares to 13m shares, equivalent to 23 per cent of the ordinary capital. The deal was done through Colombia Investments, Mr O'Reilly's holding company.

Together with parties he is deemed to be acting in concert with, he now controls 29.99 per cent of the company, the maximum permissible without being obliged to mount a formal takeover bid.

Arcon, formerly Conroy Petroleum, has discovered a 6.2m zinc/lead ore deposit at Galmoy in Ireland, which, once developed, is anticipated to be one of the lowest-cost zinc mines in the world. Over the past year it has been the subject of a boardroom battle between Mr Richard Conroy, the chairman, and Outokumpu, a 22 per cent shareholder.

Mr O'Reilly was seen as a white knight by Mr Conroy, when the former first took a 5 per cent stake through a I£7.7m share-swap offer for Mr O'Reilly's ailing Atlantic Resources exploration company. Mr Conroy believed Outokumpu was planning a takeover and wanted 100 per cent control of the ore marketing.

The move cost Mr Conroy his place on the board last February, but he was reinstated a month later when Mr O'Reilly took a further 16.3 per cent.

Reuters TV born from Visnews

Reuters is changing the name of its Visnews television subsidiary to Reuters Television following its recent purchase of 100 per cent of Visnews shares.

Mr Mark Wood, Reuters' editor-in-chief, said the name change would be phased in by the end of the year. Visnews subsidiaries, BrightStar and Visnews Corporate Video, will retain their present names.

Mid Kent feels the pinch at £4.28m

By Matthew Curtin

MID KENT Holdings, the water supply company, increased pre-tax profits from £4.21m to £4.28m in the half-year to September 30.

Operating profit rose to £3.99m (£3.78m) on turnover 6.6 per cent higher at £15.6m.

Mr Robert Atwood, finance director, said the results reflected the fall in Mid Kent's K number – the rate at which it is allowed to increase prices above the rate of inflation – to 2.5 per cent in 1992-93, against 9 per cent last year.

Mr Atwood said the severity of the drought and the recession in the south-east were key issues in the group's relations with Ofwat, the industry watchdog.

Mid Kent planned at least £15m in capital spending this year, mostly on the enlargement of its treatment plant, meeting quality requirements, opening up new water reserves and a pilot metering scheme.

The limits of a water company's immunity from the recession were amply demonstrated by the group's experience of the past six months. Water levels were low, and although a hose pipe ban was lifted last month, customers were warned it would be re-imposed in the spring. There had been few new connections with the dearth of new house-building, and it faced a mounting bad debt problem with a programme of 1,000 disconnections under way.

Mr Atwood added that while the group had the organisational framework in place to meet the demands of "the post privatisation regime", further streamlining would be necessary. "Water companies, without exception, have to examine their staff numbers critically."

The interim dividend is 4.75p (4.5p), payable from earnings per share of 19.3p (19.1p).

Pegasus shares fall 42p as chief executive leaves

By Peter Pearse

Shares in Pegasus tumbled 42p to 86p yesterday following news that Mr Jonathan Hubbard-Ford, chief executive, was leaving and that the USM-quoted designer of accounting software and supplier of forms would incur trading losses in the five months to December 31, its new year-end.

This would result in "a small loss from normal trading activities" in the current 17-month period.

However, the company added that at the pre-tax level it would be in the black, thanks to the sale in September of 25 per cent of Stockforms to Deluxe Corporation of Minnesota for £1.7m cash.

This would appear in the year-end results as a £1.25m exceptional gain, it said.

In the 12 months to July 31 pre-tax profits declined to £655,000 (£1.67m).

Mr Derek Moon, non-executive chairman, said that Pegasus had been forced to reappraise its short-term strategies and, in the company's words, "the board is taking steps to reduce costs and defer expenditure in line with anticipated launch dates of new products", or "it is readjusting marketing initiatives started by the chief executive" in Mr Moon's.

He said this had thrown up "a disagreement over policy" between Mr Hubbard-Ford, chief executive only since April, and the rest of the board.

Mr Hubbard-Ford will remain as a director for the time being, and until a new chief executive can be found, the remaining executives and the senior managers will run the company.

Cash balances at the end of November amounted to £2.5m.

At July 31 they stood at £2.62m and a year previously £3.27m.

ABI Leisure ahead but dividend cut

Profits of ABI Leisure Group, the caravan manufacturer, improved from £2.07m to £2.31m pre-tax for the year to end-August.

The 11 per cent advance came from turnover £3.9m ahead at £56.2m.

However, with difficult trading conditions continuing it was felt prudent to trim the final dividend to 2.19p making a 3.76p (4.7p) total. Earnings per share were little changed at 5.8p (5.7p).

The shares rose 6p to 60p.

North West Water moves ahead 5.7% to £130.1m

By Angus Foster

Bob Thian: full year growth would continue at a similar rate after a 'good, safe performance'

COST CUTTING and price rises helped North West Water, the Warrington-based water and sewerage company, lift interim profits by 5.7 per cent.

Pre-tax profits increased from £123.7m to £130.7m in the six months to September 30. Mr Bob Thian, chief executive, said full year growth would continue at a similar rate. "This was a good, safe performance," he said.

Turnover increased 13.1 per cent to £421.7m helped by average price rises of 9.3 per cent in the company's "core" regulated business and by acquisitions. Turnover from measured water usage, which covers businesses and new homes, also increased 13.1 per cent, suggesting the company continued to weather recession well.

Operating costs were held back to a 10.7 per cent increase to £261.6m while restructuring costs were similar at £12m (£12.4m).

The company's headcount has fallen by more than 700 people in the last year to just over 8,000, leading to a 10 per cent fall in labour costs.

Interest costs increased sharply from £2.4m to £18.6m as investment programmes and acquisitions pushed net borrowings up from £146m to £288m.

Gearing rose from 17 per cent at the year end to 21.6 per cent and is expected to rise to about 25 per cent this year.

Depreciation increased to £26.4m (£21.5m) and capital investment, which last year totalled £512m, is expected to be higher this time.

The tax charge increased from £8.1m to £9.6m. North West's tax bill was incurred on irrecoverable ACT and overseas tax.

Among non-core businesses, the process engineering division increased turnover 40 per cent to £75.8m while operating profits were 64 per cent higher at £5.9m. Most of the increase was due to acquisitions made last year which included Wallace & Tiernan in the US.

Mr Thian said the division faced recession in its markets but remained an important part of group strategy.

North West is the only water and sewage company to have resisted calls from Ofwat, the water regulator, to limit price increases next year. The company complained it could not afford the price cuts because it has an extra £430m of spending, mainly to improve coastlines and the Mersey estuary, to carry out in the next two years.

Ofwat is expected to rule on the matter in December. Mr Thian said relations between the company and the regulator remained good.

Earnings increased 4.6 per cent to 34p and the interim dividend is raised 9 per cent to 7.13p.

See Lex

Saatchi & Saatchi's Italian chief appointed European deputy

By Richard Gourlay

MR ROBERT Lasagne, chief executive of Saatchi & Saatchi's Italian operation, is to take up a new post as deputy chairman for Europe.

Mr Lasagne said the post will be one of co-ordinating the advertising group's growing European operations.

"I will be responsible for the south of Europe," he said. "It is a strengthening of the overall European company."

Mr Lasagne helped form an advertising agency in Italy in 1979 after setting up an Italian operation for Ogilvy & Mather, the US-based advertising group, 10 years earlier. In 1986, his company, MVL, merged with Saatchi.

Mr Lasagne will remain chairman of Saatchi's Italian operation. He will report to Mr Bill Muirhead, chairman for Europe, who will concentrate on the north of Europe.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ABI Leisure ....fin	2.19	Jan 29	3.13	3.76	4.7
Caledonia Inv ....int	6	Jan 21	4.8	-	14.4
City of Ldn PR § ....int	1.15	Jan 18	1.04	-	3.18
Dunedin W'wide ....fin	7.1	Jan 22	7.1	9.5	9.5
Hartstone ....int	2.8†	Jan 22	1.675	-	4.675
Jos Holdings ....int	2.875☆	Jan 8	-	-	5.65
Kwik Save ....fin	11.3	Jan 14	10.4	16	14.7
Marston Thompson..int	1.45	Jan 19	1.34	-	4.91
Mid Kent ....int	4.75	Jan 11	4.5	-	9.5
ML Holdings ....int	nil	-	0.65	-	1.85
North West Water ..int	7.13	Feb 26	6.54	-	19.67
Rothmans Intl ....int	4	Jan 19	3.75	-	10.25
Sterling Inds ....int	1.5	Feb 12	1.5	-	5.6
Tate & Lyle ....fin	8	Feb 9	7.5	12	11.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆First quarterly.

Embassy cuts loss to £1.5m

Pre-tax losses at Embassy Property, the USM-quoted property development, housebuilding and construction group, were reduced from £2.4m to £1.45m in the six months to September 30.

The improvement was achieved on turnover which declined from £6.3m to £5.9m.

Losses per share worked through at 9.9p (26.1p).

However, as a result of the financial restructuring in September, the group is showing a retained profit of £4m, against a loss of £2m in 1991.

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Coal contraction prompts £6.2m cuts at Senior

By Andrew Baxter

SENIOR ENGINEERING is withdrawing from the mining equipment business and large turnkey power generation projects due to the contraction of the UK coal industry and the associated reduction in coal-fired power generation.

The tubing, boilers and ductwork group said yesterday that discontinuing these operations, along with closure and disposal provisions, would cost £6.2m net of tax, excluding the impact of any original goodwill previously written off.

The decision will cause the loss of 90 jobs in Senior Thermal Engineering's power division, which is being closed, and could affect 350 jobs in the mining equipment businesses, which are being offered up for sale.

But Mr John Bell, group chief executive, said the move was more a "strategic refocusing" than a job-cutting exercise.

"The rest of the group is performing well. We are getting rid of things we can't do anything with, and which could cause us problems in the future."

Senior has made no secret of its wish to quit the mining equipment industry, and at the end of last year had changed the business sector's name to control engineering to emphasise its intention to reduce dependence on coal mining.

The mining equipment businesses up for sale have annual turnover of £14m-£15m and are currently breaking even, said Mr Bell. They are Senior Davis Derby, which makes electronic equipment used in mining and other hazardous environments; and Senior Conflow, which – along with Senior Conflow USA, makes equipment to control water at very high pressure.

Mr Bell said Senior was already talking to potential purchasers, and envisaged two separate deals.

Senior will retain the one remaining part of its control engineering business, Senior Entex, which makes springs.

The power division, meanwhile, is being closed because of the increasing dominance of the big turnkey contracting business by sizeable companies such as Siemens and Asea Brown Boveri.

Senior has had some success in this business, with large projects such as the £25m power station it built for Slough Estates. But turnover this year of £7m-£8m will be lower than in recent years, and a modest loss is expected.

Mr Bell said Senior was actively looking for expansion in its core businesses, and singled out the recently acquired Flexonics of the US as a business with significant growth opportunities.

On present accounting standards, the £6.2m would be an extraordinary below-the-line item, but Senior plans to present its 1992 accounts in line with the new standards for discontinuing businesses and acquisitions which are being introduced next June.

See People

A spartan approach that beats the recession

Guy de Jonquières on the challenge facing Kwik Save to consolidate its recent rapid sales growth

FOR MOST British companies and their shareholders, hopes of any improvement in profits depend heavily on when the recession ends. But the challenge facing Kwik Save is to continue to prosper once better economic times return.

During the past decade, the company has increased annual sales and pre-tax profits fourfold by doggedly pursuing a "no frills" formula of selling branded grocery products at prices 5 to 10 per cent below those charged by the bigger supermarket chains.

Central to its strategy have been tighter cost controls and modest capital investments. While J Sainsbury and Tesco have been building out-of-town superstores at about £25m each, Kwik Save has stuck mainly to smaller, more spartan, high street sites costing no more than £1m a time.

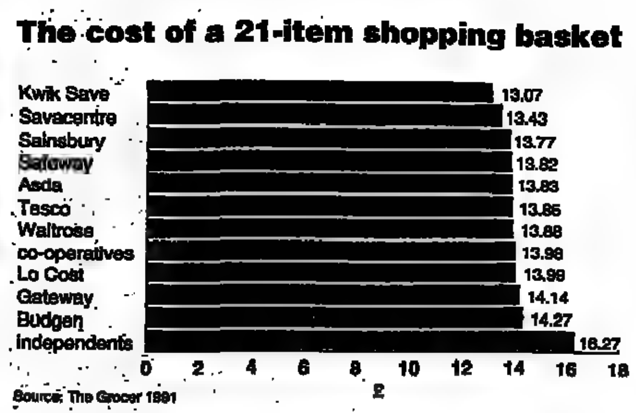
Though the formula has given Kwik Save the highest return on capital in the industry, its margins are barely half those of its larger rivals. However, Mr Graeme Seabrook, Kwik Save's chief executive, has always insisted that the key to rising profits lay not in bigger margins but in rapid sales growth.

The economic downturn and the changing structure of the food retailing industry have played into his hands.

The company claims that its customers are no longer confined to poorer shoppers but include a growing number of more affluent households attracted by Kwik Save's emphasis on the value of its products as much as their absolute price.

Mr Seabrook says Kwik Save has also benefited from the growing polarisation of the retailing industry, which has increased the pressure on weaker middle-market chains such as Asda, Gateway and the Co-op. During the past two years, Kwik Save's market share has risen from 6.5 per cent to 8.9 per cent, largely at their expense.

Graeme Seabrook: customers are not just poorer shoppers



The question is how successfully Kwik Save will be able to maintain the rapid volume growth essential to its long-term development. Mr Seabrook insists there is unexploited potential, pointing out that Kwik Save's sales per square foot were still only half those of Sainsbury's.

However, the strategy faces challenges from two directions. First, the growth of competing discounters, including Aldi of Germany and Netto of Denmark, which have opened about 100 stores in Britain.

Kwik Save says its newer rivals have made little impact. However, it admits that it has held them at bay by offering extra deep discounts and introducing cheaper "secondary" brands in stores which faced direct competition.

The second challenge is to retain the customers it has picked up in the last few years. It is still unclear how far these gains are permanent and stem, as Kwik Save claims, from a lasting consumer attachment to value, or whether they are due to temporary bargain-hunting induced by the recession.

The company's response has been to try to define a distinctive image, which differentiates it clearly from both the discounters and from the bigger supermarket chains.

To counter the threat of discounters such as Aldi, which sell a limited number of items in warehouse surroundings, Kwik Save has cautiously expanded its product range and is investing in improved displays and computerised check-outs. It is also building larger edge-of-town stores, though some of the floor space is let out to other retailers.

To differentiate itself from Sainsbury and Tesco, it has stepped up advertising – particularly posters and illuminated displays – which stress its price advantage and "no frills" approach.

It is a marketing strategy which requires a careful balance. How well it succeeds is unlikely to become clear until well after the recession.

Hosiery helps Hartstone to £10m

By Peggy Hollinger

HARTSTONE, the hosiery and leather goods group, raised pre-tax profits by 28 per cent from £8.17m to £10.5m in the six months to September 30, reflecting the acquisition of two companies last year and a continued strong performance from the US.

The group also officially announced its intention to take on the European lingerie market, by exercising its option to buy Aznar Industriel, the Spanish underwear company.

Hartstone will pay £9m in cash and shares for the group, which was linked to the hosiery manufacturer, Aznar, acquired last year.

Mr Stephen Barker, chairman, stressed the organic growth achieved in the half year, with like-for-like leather goods sales up by 14 per cent in the US and 7 per cent in Europe. In hosiery, the overall comparable advance was just 1 per cent.

Group sales overall expanded to £162m (£92.8m).

Hartstone, which suffered a sharp decline in its share price over the summer, came under some scrutiny earlier this year as a result of its acquisitive nature.

"All we have done to the businesses since acquiring them is improve them," Mr Barker said yesterday. "We will just plod on and prove to everyone that we have a group where growth can be sustained."

The interim dividend is raised by nearly 50 per cent to 2.8p (1.875p) "reflecting our confidence in the future," Mr Barker said. The shares closed 1p up at 197p.

The hosiery division benefited by £3m at the operating level due to the inclusion of Cogetex in France and Aznar. This represented the bulk of the operating profit improvement from £829,000 to £4.5m, with trading in the UK continuing to be difficult.

Leather goods increased operating profits to £9.28m (£8.47m). Most of that was earned in the US, where Hartstone had seen definite signs of an increase in confidence. However, Mr Barker stressed that it was not yet clear "whether that is short-term, as it was in the UK following the Tory victory."

Interest charges rose from £1.13m to £3.3m. Debt of about £67m left gearing higher than last year at about 80 per cent. This was due partly to seasonal factors, with most hosiery sales in the second half. Hartstone expected year-end gearing to be less than 1991's 51 per cent.

Earnings were depressed by the 28m shares issued to purchase Aznar and Cogetex in December. They fell from 7.7p to 6.7p.

ML passes interim dividend as losses rise

By Paul Betts, Aerospace Correspondent

ML HOLDINGS, the defence and aerospace group, passed its interim dividend after reporting a £1.48m pre-tax loss for the six months to September 30, against a £1.31m deficit last time.

Before interest and exceptional items, trading profits amounted to £968,000 (£2.04m). An exceptional provision of £1.06m related to the settlement of a long running legal action connected with a hovercraft supply contract.

Losses per share worked through at 3p (2.6p). An interim dividend of 0.85p was paid in 1991.

Sales totalled £40.2m, a marginal gain on the previous £40.1m, after adjusting for disposals and inflation.

The company said it had continued to suffer from three fundamental and related problems: the impact of recession on margins, inadequate contract management and control leading to losses and claims, and a high level of borrowings.

Although the effect of recession on the group's defence and aerospace businesses had been anticipated, it acknowledged that a cost reduction programme had not been implemented early enough nor with sufficient vigour.

To resolve this situation, the company said improved financial controls had been imposed on all subsidiaries.

The company also confirmed it was refocusing around its core defence and aerospace businesses. It planned to shed non-core assets when it could obtain realistic prices for these operations.

The group recently won a contract to supply the US Air Force with up to 113 of its Slingsby Firefly trainer aircraft worth about $60m (£33m).

Harmony Leisure agrees to boardroom changes

By Tim Burt

MOVES TO oust the board of Harmony Leisure, the pubs and restaurants group, appeared close to collapse yesterday after the company agreed to demands by leading shareholders for board changes and an independent review of its loss-making operations.

Queens Moat, the hotel group, and developers Southend Property Holdings, which together control almost 20 per cent of the share capital, have nominated two senior officials to join the board.

Mr Martin Marcus, joint managing director of Queens Moat, and Mr John Main, a director at Southend Property, will become non-executive directors.

Harmony will also allow Guinness Mahon, the merchant bank, to scrutinise its trading performance and future prospects following accumulated losses of £6.9m over the past three years.

Rebel shareholders seeking the removal of Mr Stanley Lever, the managing director, welcomed the changes and said they would no longer press for the appointment of new executive directors, which was due to be considered at an extraordinary meeting today.

Their decision signals a partial victory for the board and Mr Lever, who has been fighting an increasingly bitter struggle for control of the company.

"The dissidents are just marauders involved in a wasted effort," the company said yesterday in its latest salvo against the rebels.

Reduction in bad debts provides boost at Marston

By Philip Rawstorne

MARSTON, Thompson & Evershed, the Burton-on-Trent brewer, increased interim profits by 44 per cent to £10.1m, helped by a reduction of £2.47m in exceptional charges.

At the same stage last year a pre-tax profit of £7m was achieved after a £2.3m provision for bad debts. This time there was no such charge.

Trading profit for the six months to September 26 rose 5 per cent to £10.4m (£9.89m) on turnover 9 per cent higher at £63.2m (£58.1m).

Interest charges fell from £310,000 to £180,000.

Earnings per share expanded to 7.7p (5.27p) and the interim dividend is increased to 1.45p (1.34p).

Mr Michael Hurdle, chairman, said the results were "grounds for cautious optimism." But he added: "The market is a tough one, characterised by reticence on the part of consumers and aggression on the part of competitors."

Overall beer sales volume increased marginally, against a 1 per cent fall in the market. Marketing expenditure was doubled. Pedigree draught and Low C packaged beer gained from reciprocal distribution deals with several national and regional brewers.

Sales through Marston's 671 tenanted pubs fell but there was a 29 per cent increase in both liquor and food sales in the 185 managed houses. Most of the £7m capital expenditure during the six months was on refurbishments.

Net borrowings amounted to £15.5m, 6.9 per cent of shareholders' funds.

NEWS DIGEST

Merrydown sees sparkle in new cider

MERRYDOWN Wine, the East Sussex-based cider group, has signed a national distribution deal for its new Premium Draught Cider with the Gaymer Group, writes Graham Deller.

Gaymer, the recent management buy-out from Allied-Lyons, will sell, keg and distribute the cider to the UK licensed trade for a minimum of five years.

Mr Richard Purdey, Merrydown chairman, said the new brand "performed extremely well in its test marketing, and we believe it offers exciting national potential."

Appld Holographics £622,000 in the red

Applied Holographics, the USM-quoted maker of hot stamping foils and holograms, reported a pre-tax deficit of £622,383 for the six months to end-September.

This compared with losses of £681,394 last time and was struck on turnover down slightly from £2.46m to £2.37m. Losses per share worked through at 3.1p (4.5p).

City of London PR improves

Profits of City of London PR Group, the USM-quoted investor relations and market research specialist, edged ahead from £281,000 to £292,000 pre-tax for the six months ended September 30.

Turnover of £1.54m compared with £929,000 previously. Operating profits recovered by 33 per cent to £121,000 in spite of absorbing a £36,000 loss incurred by the Paris market research operation.

Earnings rose to 2.75p (2.48p) and the interim dividend is increased to 1.15p (1.04p).

The directors are forecasting a 10 per cent increase in the final to 2.354p.

Embassy Property cuts loss to £1.45m

A significant reduction in losses in its property development and residential divisions helped Embassy Property Group cut its pre-tax deficit by £948,000 to £1.45m in the six months to September 30.

The divisions were free of the £3.75m provisions carried in 1991-92 against the value of work in progress and investment properties.

Overall sales of the USM-quoted group in the first half came to £5.91m (£6.33m). The input from property development and trading fell to £200,000 (£778,000). But residential development raised its share to £2.39m (£1.38m).

Losses from the two areas fell to £563,000 (£1.32m) and £198,000 (£536,000) respectively.

Overhead and interest costs contracted to £351,000 (£416,000) helped by the debt restructuring in September.

An extraordinary credit of £5.46m reflected completion of the refinancing and connected share placing. The directors said the rights issue was not reflected as the closing date was October 5.

This left a retained profit of £4.01m (£2m loss). On a much increased capital base there was a loss per share of 9.9p (28.1p).

Chester Waterworks achieves £1.04m

Chester Waterworks Company, the statutory water company which acts as agent for the Welsh Water Authority and the North West Water Authority, reported pre-tax profits of £1.04m for the six months to September 30.

The company has changed its year end, and for the 15-month period ended March 31 profits were £2.45m. Turnover amounted to £2.86m (£6.58m).

Mr Joseph Musgrave, the chairman, said the results were being published in anticipation of proposed changes in the company's constitution, including re-registration as a plc.

Pro forma earnings per share were 283p (655p) and the dividend 2.1p, the maximum statutory rate. An interim dividend of 75p is forecast, subject to the removal of the statutory restrictions in the new year.

Reduced loss at Waverley Mining

Waverley Mining Finance, the Edinburgh-based investment company, reported a loss of £58,639 before and after tax for the six months to September 30.

The outcome, which compared with losses of £107,267 at the same stage of 1991, came on gross income ahead from £38,243 to £50,334. Losses per share came out at 0.5p (0.9p).

The net asset value per share declined from 25.2p in March to 21.9p at end-September reflecting, the company said, a varied performance within the smaller company sector and the weakness of the Australian and Canadian currencies. However, the fall in sterling since the period-end had seen the value improve to 24.8p.

Dunedin Worldwide net assets edge up

The net asset value of Dunedin Worldwide Investment Trust edged ahead from 595.3p to 603p per share – over the 12 months to October 31.

Net revenue dipped to £3.3m (£3.46m), equivalent to earnings of 9.71p (10.17p) per share. The total dividend is held at 9.5p, via a maintained final of 7.1p.

Opec seems set to keep 24.2m b/d output ceiling

By Deborah Hargreaves in Vienna

MINISTERS FROM the Organisation of Petroleum Exporting Countries could move towards maintaining their existing oil production ceiling of 24.2m barrels a day when they meet later today.

The ministers heard reports yesterday that output by Opec's 13 members in October was actually much higher than this ceiling at 25.04m b/d, chiefly because of increases in output by Iran and Kuwait. A return to the September ceiling centres on Iran's willingness to accept a production cut.

Opec figures put Iranian oil production for October at 3.8m b/d – well above its previous output level of 3.4m b/d. Kuwait's new oil minister Mr Ali Ahmad Al-Baghli has also boosted the emirate's production close to 1.4m b/d – approaching its target of 1.5m b/d by the end of the year.

Mr Ali Ahmad Al-Baghli has boosted Kuwait's output

The producers' club expects demand for its oil to rise to 25.64m b/d in the first quarter of next year with 640,000 b/d of this to be met from stocks. A re-imposition of the September ceiling would therefore imply cuts from existing production levels, which some delegate believe would send a message to the market that Opec is ready to support to prices.

However, some producers want deeper cuts in output to be made in an effort to improve price levels. Algeria's delegation felt Opec's economists were being too cautious in their estimate for the draw on stocks during the first quarter.

"If Opec is willing to avert the risk of a drastic price deterioration in the first quarter, a more normal stock-draw of 900,000 b/d to 1.1m b/d should be enforced on the market," *the Algerians told yesterday's* meeting.

Algeria's new oil minister, Mr Hacene Mefti, wrote to the president of Opec at the beginning of November urging him to call on other members of the club to exercise production restraint. However, world prices have slipped by about $2 a barrel since October as members have continued to produce more than their allocated levels.

Ministers broke up into small groups throughout yesterday evening in an effort to massage the figures and draw up a compromise acceptable to all member nations. They will also consider a request by Ecuador later today to leave the organisation.

Russian group wins monster gas contract

By John Lloyd in Moscow

THE RUSSIAN government yesterday confirmed that a multi-billion dollar contract for the development of the world's biggest gas field had gone to a Russian consortium *and gave encouragement to* another Russian group seeking to develop one of the world's largest copper deposits.

A meeting in the Kremlin presided over by Mr Boris Yeltsin, the Russian president, awarded the contract for the exploitation of an estimated 3 trillion (million million) cubic metres (105 trillion cubic feet) of gas in the Shtokman field in the Barents sea to the Rosshelf consortium of 19 Russian companies mainly engaged in defence production.

Another group, known as the Russian Industrial Consortium, attended the same meeting to present its case for the award of a contract, estimated to be worth at least $1bn, for the development of the Udokan copper deposits in the *Chita region in Siberia*, thought to contain 18m tonnes of copper. This consortium is led by the giant Uralmash engineering plant.

Mr Yevgenny Velikhov, vice president of the Russian Academy of Sciences and chairman of Rosshelf, told the meeting that the Rosshelf consortium would provide greater employment in Russia. This has been a key factor in the Russian group's victory over a rival foreign consoritum including the US energy company Conoco, Norway's Norsk Hydro and three Finnish companies, Neste, Metra Engineering and Imtran Voima.

The cost of the Shtokman project has been put by the foreign consortium at between US$8bn and $10bn, but by the Rosshelf group at $5bn. The Russian group also claims it would spend $2.5bn in Russia, with its rivals spending only $400m: it said it would employ 250,000 people in Russia, compared with only 30,000 by the foreign group.

Mr Yeltsin made clear at yesterday's meeting that the country's industrial policy would tend to favour Russian companies and groups, though they would be encouraged to work with foreign companies and consultancies.

No award has yet been made in the case of Udokan as the final date for tenders is January 15 next year. However, the attendance of the Russian Industrial Consortium at yesterday's meeting and the drift of government policy appears to favour it.

Giant CIS aluminium smelter closes

By Kenneth Gooding, Mining Correspondent

TAJIKISTAN'S GIANT Regar aluminium smelter has shut down because of a lack of raw materials, according to industry officials. Last year the smelter produced about 370,000 tonnes of aluminium and exported virtually all of it to the west. In the first half of 1992 it produced about 184,000 tonnes.

Yesterday's news will be welcomed by the western industry which blames a sudden surge in exports from the Commonwealth of Independent States – to more than 1m tonnes last year – for driving down aluminium prices to their lowest-ever level in real terms.

Officials said only the plant manager, Mr Muxaur Sinani, and three other Russians remained at the Regar plant. About half the workforce were Russians or Germans – all key technical people – but they had been driven away by the ethnic disputes which threaten to engulf Tajikistan.

The final blow to the smelter's output was when *rail links* with Russia were cut, halting the flow of alumina (aluminium oxide), the officials said. Azerbaijan, previously the smelter's main alumina supplier, stopped shipments some time ago because it was claimed no aluminium was being shipped back in payment.

Observers suggested that the smelter, which uses out-of-date "pre-bake" technology, would have to be converted before it could be brought back into operation. This would take two years but work was unlikely to start before political stability returned *to the central Asian* state. Hundreds of people have been killed and thousands made homeless by the ethnic

A month ago output at the smelter, about 100 km (60 miles) west of Dushanbe, the capital, was cut to an annual rate of 200,000 tonnes compared with its nominal capacity of 520,000 tonnes, because of a dispute about the ownership which dried up money for spare parts and shut down two of the three anode lines.

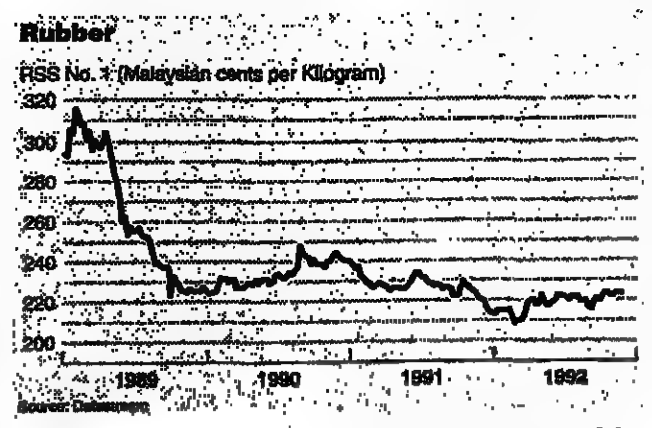
Both the Tajik government and Consortium Aluminiy, the new organisation that includes most of the former Soviet *Union's* aluminium operations, claim ownership of the smelter, said to provide most of Tajikistan's income.

Rubber prices stretch growers' patience

Kieran Cooke on producer pressure for stronger market support

LIFE IS changing on the Malaysian rubber estates. Trees are being chopped down and the land is being planted with the more profitable oil palm; plantations near towns are being sold for real estate development. Where there were once forests of rubber trees there are now golf courses, and rubber tappers have found new jobs as caddies.

The country's rubber production is expected to decline in 1992 – for the fourth year in succession – by 2.6 per cent to 1.22m tonnes.



The estates, though highly efficient producers, are turning away from rubber and now account for less than 30 per cent of Malaysia's total output. Thousands of smallholders have become the mainstay of the country's production.

Malaysia, for many years the world's premier rubber producer, has dropped in output terms behind both Thailand and Indonesia, which between them now account for more than 70 per cent of world natural rubber production.

One reason for Malaysian rubber's decline is the country's fast economic growth in the past five years. Rubber is a labour intensive crop and the country is now experiencing acute labour shortages in many areas.

But declining prices are the most important factor. Over the past five years prices of natural rubber have gone down by about a third. Leading producing and consuming countries are now gathering in Kuala Lumpur, the Malaysian capital, for what is seen as a crucial meeting to decide whether or not to work out new pricing arrangements under a revamped International Natural Rubber Agreement, Inra III. Inra I, agreed by Thailand, Indonesia, Malaysia, Sri Lanka and Ivory Coast and a number of consumer countries, was unveiled in the late 1970s; Inra II expires at the end of 1993.

After countless earlier meetings, however, there seems little common ground between the two sides.

The basic aim of Inra has been to offer on one hand fair prices to producers and on the other security of supply to consumers. A central figure in this policy is the buffer stock manager, empowered to buy and sell stocks when prices reach certain levels.

Consumers say Inra has generally worked well and see no need for a new agreement (under existing rules INRA II can be extended for an extra two years). "The question of whether there is a need for a new agreement or to extend the present one is premature" said a US official last week. "The record has shown that Inra II is one of the most successful commodity agreements in place."

Producing countries angrily reject such views. They have warned that unless progress towards the negotiation of a new pact can be achieved by next March, Inra may collapse and they could be forced into introducing their own pricing mechanisms.

"The only thing we want to see now is a decision by importing countries that a successor agreement with economic provision is useful," says Mr Ahmad Farouk, chairman of the Malaysian Rubber Research and Development Board and one of the producer countries' main negotiators at the meeting. "We are willing to wait till March and we know what to do if they don't agree by then."

Differences between supply and demand have had a serious impact on pricing. Although the world rubber surplus is forecast to fall to 150,000 tonnes this year from 180,000 tonnes in 1991, demand is still weak in many key recession-hit markets. There has also been a dramatic plunge in demand in recent years in eastern Europe and the former Soviet Union. Meanwhile some non Inra signatories, like India, China and Vietnam, are raising production.

"One cannot run away from the fact that it is the overall supply and demand situation which determines the health of the rubber market," says Mr Lim Keng Yaik, Malaysia's primary industries minister. But Mr Lim and others also accuse consumers of refusing to recognise the need for changes in the rubber marketing system.

Over the past 15 years the rubber market has become *more concentrated. Where* before there were a multitude of buyers now five large tyre manufacturers consume more than 50 per cent of global natural rubber production; where once there were legions of rubber traders, now there are very few.

So the big consumers can exert considerable pressure on the market. At present more than 70 per cent of the world natural rubber trade is carried out through direct, private deals. Producers want a more transparent, open trading system, with a central rubber exchange based in the producing region.

For their part the consumers say that the producing countries have failed to agree among themselves on an appropriate marketing system or to make any real efforts to improve quality in line with requested price increases.

Self interest might eventually bring about some compromises. Both sides agree that in the long term the prospects for natural rubber are good.

Millions of farmers still depend on rubber for their livelihoods and the commodity, particularly in the lower-cost countries like Indonesia and Thailand, will not simply be abandoned as a cash crop. Producer countries are also gaining more marketing clout; in future years the countries of Asia are likely to become the biggest rubber consumers as well as producers.

For all their financial power the big consumers need security of supply. Inra has guaranteed that. It has also simplified the buying process. Mr Hoyt Wells, Goodyear's chief operating officer, says that if the agreement is abandoned his company will have to negotiate separate contracts with 26 or 27 different countries and "50 million" farmers.

"All we would have is a lot of paperwork and no rubber" says Mr Wells.

EC potato plan 'unacceptable'

By David Blackwell

PROPOSALS FOR a lightweight European Community regime on potatoes that emerged from Brussels yesterday call into question the future of the UK's Potato Marketing Board.

The proposals, which were yesterday termed "unacceptable" by the PMB and the National Farmers' Union, will be discussed tomorrow in Brussels by Copa-Cogeca, which represents both agricultural unions and co-operatives in Europe. The plans could come before EC farm ministers at their next meeting on December 14, although some observers think the volume of business will delay consideration of the potato regime.

The commission is proposing an Ecu 1.5m regime for potatoes in order to harmonise the different mechanisms applied in member states in the run-up to the Single European Market. It aims to encourage a free market and to establish a common approach to traded with countries outside the EC.

The PMB at present controls the supply side of the UK market by setting a target area for potatoes and distributing quotas to its registered growers. It said yesterday that it would continue to lobby hard to maintain the system, which "we consider protects not only farmers, but consumers and the industry as well".

The NFU said the lightweight proposals made no reference to "our desire to see member states being able to take national measures when required. There is no reason why not if the measures are in line with EC competition law and do not disturb EC trade".

The agriculture ministry said yesterday it had not seen the detailed proposals, which would be subject to a lot more consultation before they were finally adopted.

The Agriculture Bill at present passing through parliament gives ministers the power to end the potato marketing scheme, but not necessarily to close the PMB.

Drive to boost Welsh lamb sales

By Anthony Moreton

A NEW drive to highlight Welsh food products, with particular emphasis on lamb, was launched in Builth Wells yesterday by Welsh Food Promotions. "If more food is to be sold to the trade and bought by the housewife it is essential that the image of the product is enhanced," Mr Alun Evans, chairman, said at the opening of the first Taste of Wales Food Show.

Yesterday's show, which is intended to become a biennial event at the Royal Welsh Showground in Builth Wells, was primarily aimed at shops and restaurants. It will be followed by a drive to bring the merits of Welsh food before the big supermarket buyers. Sainsbury has already committed itself to buying almost £1m worth of lamb and Mr Peter Budd, chief executive of the company, is working hard to woo chains such as Asda, Tesco and Safeway to stock Welsh products.

Much of the emphasis yesterday was naturally on lamb as Wales has over 10m sheep and Mr Evans said that Welsh lamb deserved its quality premium.

Lamb exports, especially to France, Spain and Italy, were rising satisfactorily and had gone up by a third in the past two months alone. This was before French farmers had threatened to dent the trade. A blockade against British imports this weekend is threatened as part of their opposition to the agreement on farm products just concluded between the European Commission and the US on farm products.

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc and Nickel were the strongest markets at the London Metal Exchange yesterday, and their firmness helped to steady other metals. Traders said that **ZINC** had been underpinned recently by trade buying, which *emerged again today, taking* the three months delivery position above $1,080 a tonne and touching off short-covering and stop-loss buying orders. At the close the three months price was quoted at $1,089.50 a tonne, up $24.75 on the day. Chinese buying was cited as the main factor lifting **NICKEL** prices, which rose for the sixth successive trading day. The three months position closed at $5,515 a tonne, up 39 on the day and $200 from last week's 5-year low. At the London Futures and Options Exchange **COFFEE** prices continued this week's retracement, with the January position ending $5 lower at $944 a tonne. Dealers said talks on a new pact to support prices at the International Coffee Organisation continued to be monitored, although progress, as expected, was slow.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$17.00-7.10u	+.025
Brent Blend (dated)	$19.25-9.30	+0.10
Brent Blend (Jan)	$19.10-9.15	+0.05
W.T.I (1 pm est)	$20.25-0.30u	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$206-208	
Gas Oil	$180-182	+1.5
Heavy Fuel Oil	$88-89	-2
Naphtha	$160-161	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$333.85	-0.8
Silver (per troy oz)♣	376.50	
Platinum (per troy oz)	$355.75	-1.5
Palladium (per troy oz)	$83.60	-0.9
Copper (US Producer)	100.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.02r	+0.03
Tin (New York)	281.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight†	111.66p	+0.91*
Sheep (live weight)†♣	*73.94p*	*+0.31**
Pigs (live weight)†	88.05p	-1.14*
London daily sugar (raw)	$217.6w	+1.6
London daily sugar (white)	$251.2w	-0.2
Tate and Lyle export price	£252.0	+1.
Barley (English feed)	£139.5z	+1.5
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	63.00p	
Rubber (Feb)♥	63.25p	
Rubber (KL RSS No 1 Dec)	223.0m	
Coconut oil (Philippines)§	$485.0y	-5
Palm Oil (Malaysian)§	$410.0	+2.5
Copra (Philippines)§	$320.0	
Soyabeans (US)	£172.0u	
Cotton "A" index	53.00c	-0.5
Wooltops (64s Super)	422p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec. y-Jan/Feb u-Jan. w-Dec/Jan. x-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	187.00	187.00	185.00
Mar	[illegible]	188.00	187.60
May	192.00	192.00	190.00
White	Close	Previous	High/Low
Mar	251.90	251.20	252.60 250.70
May	255.70	255.00	255.60 255.20
Aug	261.40	261.00	261.50
Oct	249.80	249.40	249.50

Turnover: Raw 51 (45) lots of 50 tonnes. White 710 (1107) Paris- White (FFr per tonne): Mar 1383.76 May 1413.39

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jan	19.13	19.05	19.19 18.93
Feb	19.06	19.01	19.10 18.93
Mar	18.90	18.98	19.07 18.86
Apr	18.86	18.93	18.98 18.91
May	18.84	18.94	18.84
Jun	18.84	18.91	18.85 18.84
Jul	18.85	18.85	18.85
IPE Index	19.09	19.08	19.09

Turnover 19725 (19616)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Dec	177.00	178.00	178.50 175.50
Jan	179.00	179.50	180.25 177.50
Feb	180.00	179.75	181.25 179.00
Mar	178.50	179.00	180.00 178.50
Apr	175.00	176.00	176.75 175.00
May	173.00	173.50	174.25 173.25
Jun	171.75	172.00	173.00 171.75
Aug	175.25		175.50 175.25

Turnover 12501 (15997) lots of 100 tonnes

WOOL

At sales in Australia this week, prices have continued to move into higher ground. The market indicator has moved more slowly, but advances have been recorded daily, with 533 cents a kg reached yesterday. Wool sold strongly at higher prices in New Zealand and South Africa last week, and at a Bradford sale of British wool. The British sector is important to the combing industry as well as trading as merchanted wool, and sterling devaluation made prices competitive on a world basis, but market improvement has only just been evident but trade assessments are cautious.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	711	711	712 703
Mar	736	732	736 727
May	749	749	749 742
Jul	763	763	763 756
Sep	777	778	777 773
Dec	796	795	801 795
Mar	820	822	822 818
May	865	867	865 860

Turnover: 7282 (4339) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 24 776.43 (782.08) 10 day average for Nov 25 785.40 (786.04)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Nov	914	915	913 913
Jan	944	949	954 938
Mar	963	967	970 958
May	958	957	963 958
Jul	967	964	973 960
Sep	968	963	975

Turnover:1837 (2990) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 24: Comp. daily 68.10 (68.78) 15 day average 67.40 (67.33)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	60.5	61.5	61.0 60.0
May	65.0	67.0	65.0

Turnover 84 (60) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	-	140.60	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Dec	1295	1300	1300 1295
Jan	1285	1300	1300 1285
Apr	1285	1295	1285
Oct	1330	1340	1330
BFI	1303	1289	1303

Turnover 224 (366)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	136.90	135.70	136.90 136.50
Mar	139.30	138.25	139.45 138.80
May	141.75	140.75	141.80 141.40
Jun	142.75	141.90	142.75
Sep	108.75	108.00	108.75 108.55
Nov	111.50	110.75	111.50 111.25
Barley	Close	Previous	High/Low
Jan	135.70	134.50	135.70 135.30
Mar	138.10	137.00	138.20 137.80
May	139.50	138.00	139.50 139.40
Nov	111.50		111.50

Turnover: Wheat 371 (493). Barley 313 (63).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg			
	Close	Previous	High/Low
Feb	104.5		104.0
Mar	104.5	105.0	104.0
Apr	105.5	105.0	105.0
May	105.5	105.0	105.0
Jun	105.5	105.5	105.0

Turnover:16 (18) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 30,640 lots	
Cash	1181-2	1177-8	1175.5	1175.5-6		
3 months	1203.5-4	1200-1	1204/1192	1198.5-6	1202-3	183,308 lots
Copper, Grade A (£ per tonne)					Total daily turnover 15,077 lots	
Cash	1406-7	1410-1	1405	1404-4.5		
3 months	1431-1.5	1436-7	1433/1431	1430.5-1	1433-4	154,192 lots
Lead (£ per tonne)					Total daily turnover 2,381 lots	
Cash	305-6	301.5-2.5		303.5-4		
3 months	315.5-6	313.75-4	317.5/314	314-4.5	317.5-8	24,346 lots
Nickel ($ per tonne)					Total daily turnover 5,231 lots	
Cash	5510-20	5460-80	5520/5440	5442-5		
3 months	5535-8	5555-60	5650/5525	5525-9	5645-50	38,965 lots
Tin ($ per tonne)					Total daily turnover 1,696 lots	
Cash	5660-5	5675-85		5665-80		
3 months	5730-40	5730-40	5760/5735	5740-5	5735-40	10,210 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 11,968 lots	
Cash	1072-4	1044.5-5.5	1055/1054	1055-6		
3 months	1080-90	1064.5-5	1090/1070	1074-5	1080-1	73,847 lots

LME Closing £/$ rate:
SPOT: 1.5245 3 months: 1.5122 6 months: 1.5031 9 months: 1.4957

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	333.70-334.00	
Opening	334.70-335.00	
Morning fix	334.75	219.264
Afternoon fix	334.35	218.957
Day's high	335.00-335.30	
Day's low	333.70-334.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	1.38	6 months	2.00
2 months	1.52	12 months	2.40
3 months	1.67		

Silver fix	p/troy oz	US cts equiv
Spot	246.30	376.00
3 months	250.55	379.35
6 months	254.40	382.70
12 months	261.95	390.40

GOLD COINS	$ price	£ equivalent
Krugerrand	334.00-337.00	219.00-221.00
Maple leaf	344.25-346.50	-
New Sovereign	78.50-81.50	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1150	54	72	8	15
1175	35	55	18	21
1200	23	41	27	31
Copper (Grade A)	Calls		Puts	
2100	72	85	12	22
2150	40	64	30	40
2200	19	40	58	66
Coffee	Jan	Mar	Jan	Mar
900	53	85	9	23
950	23	56	29	44
1000	8	36	64	74
Cocoa	Mar	May	Mar	May
725	42	63	34	40
750	32	51	49	53
775	23	42	65	69
Brent Crude	Jan	Feb	Jan	Feb
1950		43	65	
2000	16	37	19	
2050	8	19	[illegible]	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	[illegible]	334.3	0	0
Dec	333.5	334.3	335.0	332.5
Jan	334.3	334.9	0	0
Feb	334.7	335.3	336.0	334.0
Apr	[illegible]	336.4	337.1	335.0
Jun	337.4	337.9	[illegible]	336.7
Aug	[illegible]	339.5	340.0	339.0
Oct	341.0	341.3	0	0
Dec	342.9	343.2	345.5	342.8

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	357.3	358.3	357.5	356.5
Apr	355.7	354.6	356.0	352.5
Jul	354.3	[illegible]	355.0	353.5
Oct	358.3	355.6	0	0
EL-3				

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	374.7	374.3	[illegible]	373.0
Dec	374.7	374.7	376.0	372.5
Jan	375.9	375.9	0	0
Mar	378.6	378.6	379.5	376.5
May	381.5	381.5	382.5	380.0
Jul	384.2	384.2	385.5	382.0
Sep	387.1	387.1	0	0
Dec	391.8	391.8	393.5	390.0
Jan	393.1	393.1	0	0
Mar	397.1	397.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	95.75	95.40	96.05	95.70
Dec	95.85	95.55	96.15	95.70
Jan	96.35	95.95	96.50	96.25
Feb	96.70	96.30	0	0
Mar	97.10	96.65	97.30	96.90
Apr	97.50	97.05	97.40	97.40
May	97.90	97.45	98.05	97.70
Jun	98.25	97.85	0	0
Jul	98.65	98.25	98.90	98.60
Aug	99.00	98.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	20.30	20.22	20.32	20.18
Feb	20.26	20.23	20.30	20.18
Mar	20.26	20.23	20.26	20.18
Apr	20.24	20.21	20.26	20.16
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	57.35	56.60	57.40	56.70
Jan	58.20	57.45	58.30	57.70
Feb	58.70	58.13	58.70	58.30
Mar	57.80	57.53	57.95	57.65
Apr	56.65	56.38	56.65	56.40
May	55.35	55.25	55.40	55.25
Jun	54.85	54.78	54.90	54.75
Jul	55.00	55.03	55.10	54.95
Aug	55.40	55.53	55.75	55.40
Sep	56.70	56.65	56.70	56.70

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	969	966	974	965
Mar	1007	1004	1012	1001
May	1036	1033	1039	1032
Jul	1056	1059	1064	1056
Sep	1083	1088	1081	1081
Dec	1111	1111	1110	1109
Mar	1146	1140	1147	1147
May	1174	1168	0	0
Jul	1204	1195	0	0
Sep	1222	1219	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	69.00	68.45	69.15	67.60
Mar	70.35	69.50	70.40	68.45
May	73.00	72.60	73.25	71.55
Jul	74.40	74.15	74.60	73.05
Sep	75.90	75.45	76.25	75.50
Dec	78.25	77.00	78.25	77.20
Mar	79.75	78.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.43	8.41	8.47	8.41
May	8.59	8.59	8.63	8.58
Jul	8.65	8.65	8.70	8.64
Oct	8.67	8.67	8.71	8.66
Mar	8.70	8.77	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	57.00	57.20	57.22	56.80
Mar	56.70	56.78	57.05	56.53
May	57.55	57.67	57.95	57.45
Jul	58.27	58.48	58.80	58.25
Oct	59.00	59.00	59.30	59.00
Dec	59.00	59.13	59.30	58.90
Mar	59.62	59.72	59.40	59.40
May	60.10	60.13	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	100.55	103.10	103.50	99.50
Mar	102.80	101.40	104.50	100.50
May	102.85	102.70	105.00	101.25
Jul	101.90	102.10	104.50	101.50
Sep	101.80	101.80	104.50	102.50
Nov	101.30	101.55	103.25	104.00
Jan	101.30	101.55	102.55	102.90
Mar	101.30	101.55	0	0

INDICES

REUTERS(Base:September 18 1931 = 100)			
Nov.25	Nov.24	mnth ago	yr ago
1646.7	1654.4	1643.1	1628.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.24	Nov.23	mnth ago	yr ago
Spot	119.16	119.19	118.36	115.85
Futures	118.58	118.87	116.08	122.45

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	568/2	568/0	568/6	565/4
Mar	574/2	574/0	574/4	572/0
May	580/2	580/2	580/2	577/4
Jul	585/6	585/6	588/4	584/0
Aug	587/4	587/4	587/4	588/0
Sep	585/6	586/4	585/6	585/0
Nov	591/4	591/4	592/4	590/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	20.71	20.76	20.80	20.57
Jan	20.84	20.89	20.90	20.71
Mar	21.09	21.12	21.12	20.96
May	21.25	21.29	21.25	21.11
Jul	21.40	21.46	21.40	21.22
Aug	21.42	21.42	21.42	21.32
Sep	21.44	21.45	0	0
Oct	21.44	21.46	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	182.2	183.0	182.9	182.0
Jan	182.2	182.5	182.8	181.8
Mar	182.2	182.5	182.5	181.8
May	182.9	183.2	183.5	182.1
Jul	184.8	185.2	185.7	184.3
Aug	185.6	185.9	185.8	185.6
Sep	186.6	186.6	188.0	186.6
Oct	188.3	188.5	189.0	189.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	215/2	216/4	216/2	215/0
Mar	224/4	226/2	226/0	224/0
May	232/4	234/0	233/6	232/0
Jul	237/4	239/0	238/6	237/0
Sep	241/2	242/6	242/6	241/6
Dec	245/4	246/6	246/2	245/4
Mar	252/2	253/6	253/0	252/2

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	379/4	378/6	380/4	377/6
Mar	375/4	374/4	376/4	373/0
May	358/4	357/0	360/0	356/4
Jul	332/0	329/2	332/6	329/0
Sep	337/0	334/4	337/0	335/4
Dec	348/0	346/0	348/0	345/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	76.450	75.775	76.500	75.850
Feb	74.050	73.675	74.150	73.775
Apr	74.300	73.775	74.375	73.800
Jun	70.875	70.450	70.900	70.500
Aug	69.275	69.000	69.350	69.025
Oct	69.800	69.350	69.800	69.550
Dec	69.750	69.750	0	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	44.875	44.650	45.050	44.650
Feb	44.175	44.250	44.475	44.125
Apr	41.925	41.625	42.150	41.825
Jun	46.425	46.250	46.500	46.350
Jul	45.950	45.750	46.000	45.800
Aug	44.750	44.550	44.750	44.575
Oct	41.450	41.300	41.450	41.300
Dec	43.500	43.400	43.600	43.400

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	41.850	41.650	41.850	41.150
Mar	41.450	41.400	41.800	41.300
May	42.600	42.600	43.150	42.500
Jul	43.550	43.375	43.550	43.050
Aug	42.900	42.775	42.900	42.075

Selective selling drives equities lower

By Terry Byland,
UK Stock Market Editor

A DISAPPOINTING session in the London stock market saw shares lose ground steadily in spite of further satisfactory news on the progress of the US economy. Although sellers were very selective, trading volume remained high enough to indicate the presence of the big institutions, which have already begun to tidy up their portfolios ahead of the end of the calendar year.

The FT-SE Index opened steadily but showed no inclination to respond to the overnight strength of the new York market. The combination of uncertainty over the currency outlook and the progress of the domestic economy soon depressed UK equities. Pressure on the banking and blue chip international stocks drove the FT-SE Index down to a close of 2,709.6, a loss of 17.5 and virtually the low point of the day.

As it approached the close of business, London made little attempt to follow Wall Street's early gain of 12 Dow points in response to a significant revision of US third quarter gross domestic product statistics to show a gain of 3.9 per cent.

Dealers suggested that the UK market was now losing impetus as the news of higher money growth in Germany and the continued turmoil in currency markets undermined the opportunity for another early cut in Britain's interest rates.

Several leading securities houses believe that the UK stock market could be pinned into a range of Footsie 2,650 – 2,740 over the Christmas period. The strategy team at Kleinwort Benson, the UK merchant bank and securities house, yesterday repeated its view that current forces in the marketplace were not strong enough to move the Footsie far from the 2,704 area.

At Nomura Research Institute, Mr Nicholas Knight who has been among the market bulls, believes that the recovery in the UK economy "next year and in 1994" is being under-estimated by the market. For end-1993, his Footsie target is 3,500, and says further turbulence in the ERM will not rob the UK of the advantages of competitive devaluation.

Seaq volume of 532.1m shares yesterday against 578.4m in the previous session indicated lively trading. A large programme trade, begun on Tuesday evening, was completed early yesterday, and the institutions were said to be rounding off portfolios ahead of the calendar year-end, which is effectively mid-December from a stock market trading viewpoint. Retail business on Tuesday was worth £1.2bn, sustaining the significantly improved business levels seen since mid-September. The London-based securities industry regards £1bn as the minimum daily turnover level required for profitable trading in equities, and the prolonged run of improved retail volume has lifted some of the gloom.

The company news front was quieter, but analysts were looking ahead to the next meeting of the FT-SE Index Constituent Committee at the end of December. Several leading names in the Footsie list are believed to be in danger of relegation, moves which would prompt more re-shuffling of institutional portfolios.

However, underlying confidence in the UK stock market appeared to remain firm. The improved data on the US economy disclosed this week has buttressed support for expected moves to re-stimulate economies in the UK and elsewhere in Europe.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	10	498	−2	Comm. Union	847	598	+4	Lonrho	182	66		Shell Transport	10,000	541	−3
ASDA Group	15,000	46¾	+1½	Cookson	1,700	170		Lucas	717	128	−1	Siebe	1,800	371	−1
Abbey National	1,600	394	−1	Courtaulds	525	526	+3	MB Caradon	387	280	−2	Slough Ests	270	149	−2
Albert Fisher	4,200	54	+2	Dalgety	1,100	475	−4	MEPC	1,200	332	+7	Smith (W.H.) A	1,300	478	
Allied-Lyons	1,100	609	−7	De La Rue	195	823	−2	Manweb	176	469	−7	Smith & Nephew	1,300	165½	−1½
Amstrad	600	26		Dixons	505	230	−5	Marks & Spencer	6,000	332	−2	SmKl Beecham	4,600	538	+2
Anglian Water	236	475	−4	Eastern Elect.	354	460	−7	Midlands Elect.	322	486	−8	SmKl Beecham Uts.	1,200	474	+2
Argos	40	271	−2	East Midland Elect.	66	416	−9	NFC	185	276	+3	Smiths Inds.	94	315	+3
Argyll Group	2,100	363	−2	Eng China Clays	842	494	+1	NatWest Bank	[illegible]	380	−5	Southern Elect.	214	489	−8
Arjo Wiggins	900	185	−2	Enterprise Oil	381	455	−1	National Power	1,300	275½	−6½	South Wales Elect.	27	514	−11
Ass. Brit. Foods	1,500	436	−4	Eurotunnel Units	172	348	+4	Next	880	127½	−½	South West Water	346	487	−8
Ass. Brit. Ports	113	315	+2	FKI	3,000	93	+8	North West Water	1,500	481	−12	South West. Elect.	47	454	−6
BAA	600	759	+2	Fisons	511	199		Northern Elect.	272	481	−8	Southern Water	780	480	−5
BAT Inds.	2,000	844	−8	Forte	1,300	172	−6	Northern Foods	2,500	287	+1	Standard Chartd.	1,500	551	−5
BET	13,000	87	−5	Gen. Accident	1,100	576	−7	Norweb	794	483	−2	Storehouse	4,800	185	
BICC	2,400	375	−1	General Elect.	5,600	280	+5	Pearson	332	346		Sun Alliance	2,400	339	+8
BOC	697	742	−1	Glaxo	8,400	786½	−20½	P & O	2,000	471	+5	T&N	377	137	+1
BP	4,200	227½	−3½	Glynwed Intl.	181	318	−2	Pilkington	4,400	75	−3	TI Group	488	376	−1
BPB Inds.	6,300	190	+5	Granada	1,700	276	−8	PowerGen	[illegible]	[illegible]	−6½	TSB	3,000	135½	−1½
BT	4,200	388	+1	Grand Met.	4,800	425	+5	Prudential	1,700	292	−4	Tarmac	2,600	88	−7
BT New	5,400	235	+½	GUS A	365	1057	−6	RHM	300	257½		Tate & Lyle	3,300	368	+12
BTR	1,900	496	+2	GRE	880	187	−1	RMC	594	487	−18	Taylor Woodrow	245	98	−2
Bank of Scotland	1,800	112½	−1½	GKN	375	350	−3	RTZ	[illegible]	[illegible]	−5	Tesco	3,600	258½	+½
Barclays	5,100	380	−6	Guinness	1,800	520	−13	Racal	213	162½	−1	Thames Water	491	486	−8
Bass	2,700	588	+2	HSBC (75p shs)	5,700	815	−6	Rank Org.	[illegible]	[illegible]	−4	Thorn EMI	1,000	884	+6
Berisford Int.	602	18½	+½	Hammerson 'A'	16	287	−1	Reckitt & Colman	1,400	621	+3	Tomkins	5,300	273	+1
Blue Circle	281	169	−3	Hanson	4,900	201	+1½	Redland	[illegible]	348	−21	Trafalgar House	258	85½	
Booker	781	339	−11	Hanson Warrants	4,500	17¼	+¼	Reed Intl.	339	599	−4	Unigate	382	388	−1
Boots	1,400	466	+1	Harrisons Crosfield	43	136	−1	Rentokil	115	198	+3	Unilever	1,000	1058	+1
Bowater	1,600	438		Hillsdown	5,100	109	+4	Reuters	457	1281	−10	United Biscuits	980	384	−1
Brit. Aerospace	1,600	121	−5	IMI	36	294	+1	Rolls Royce	7,200	96	+4	Utd. Newspapers	265	475	+1
British Airways	2,600	266	−1½	ICI	1,700	994	−15	Rothmans	1,300	610	+12	Vodafone	3,700	385	−6
British Gas	5,400	276	−1½	Inchcape	1,600	485	−17	Ryl Bk Scotland	[illegible]	[illegible]	+2½	Warburg (SG)	38	477	−2
British Land	341	181	+1	Kingfisher	1,100	581	+2	Royal Insurance	2,600	248	−8	Wellcome	384	1059	−15
British Steel	9,700	40½	+½	Kwik Save	755	748	−4	Saatchi	485	143		Welsh Water	288	520	−7
Bunzl	174	104		Ladbroke	3,600	182	−6	Sainsbury	645	469		Wessex Water	315	572	−8
Burmah Castrol	313	620	+8	Land Securities	504	438		Scottish & Newc.	1,200	419	+4	Whitbread 'A'	725	480	+4
Burton	3,600	65½	+½	Laporte	577	593	−22	Scot. Hydro-Elect.	1,100	262	−6½	Williams Hldgs	1,000	298	−1
Cable & Wire.	2,100	660	−1	Legal & General	1,400	455	−2	Scottish Power	1,200	221	−4	Willis Corroon	142	174	
Cadbury Schweppes	2,300	436	−1	Lloyds Abbey	388	388	−7	Sears	2,300	91	−1	Wimpey	8	108	−1
Calor Group	330	236		Lloyds Bank	1,300	492	−16	Sedgwick	577	181	−2	Wolseley	177	478	+6
Carlton Comms.	685	707	+4	LASMO	1,500	161	−4	Seeboard	111	499	−6	Yorkshire Elect.	76	485	−8
Coats Viyella	985	203	−2	London Elect.	298	449	−6	Severn Trent Water	1,100	454	−6	Yorkshire Water	89	505	−8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 16	Nov 30	Dec 14
Option Declarations:		
Nov 26	Dec 10	Dec 30
Last Dealings:		
Nov 27	Dec 11	Dec 31
Account Day:		
Dec 7	Dec 21	Jan 11

*New time dealings may take place from 8.30am two business days earlier.

Glaxo hit by patent setback

THE PRICE of Glaxo shares ticked off sharply yesterday as the market got wind of news that rival SmithKline Beecham had won an important patent case. The case revolved around Zofran, Glaxo's potential blockbuster drug, and could, according to one analyst, involve "tens of millions of pounds".

SmithKline Beecham has been granted European patent rights on the anti-emetic use of the drug. It is now expected that the company will demand royalty payment from Glaxo for the rights to continue administering it to cancer patients.

Agency broker James Capel was one of the first financial houses to get a whiff of the news and analyst Mr Robin Gilbert discussed the implications with clients immediately. Consequently, Glaxo fell 25 at one stage while SmithKline firmed 7.

However, Strauss Turnbull said the news was no more than mildly negative for Glaxo and mildly positive for its rival. Also, Gruntal Financial, the New York broking house, was giving Glaxo a push yesterday afternoon. The gap between the two stock prices had narrowed by the close when Glaxo was 20½ off at 786½p with 8.4m traded and SmithKline 2 higher in the 'A' at 538p with 4.6m dealt. After the London market closed, Glaxo said it believed it was entitled to the relevant US, European and Japanese patents and would continue to defend its position vigorously.

Redland upset

The worst performance among the Footsie constituents came from building materials group Redland whose shares dropped 5.8 per cent. The stock fell after institutions adopted an even more bearish stance on the building materials sector following a presentation given by rival RMC at BZW on Tuesday. RMC shares were down some 3.6 per cent.

At the presentation, RMC representatives told institutions of a worsening economic picture in continental Europe, emphasising the deterioration in France and Spain where the company is thought to have spoken of expected volume reductions of around 10 per cent next year.

RMC retreated to close 18 off at 487p, albeit in relatively thin turnover of 609,000. Redland were heavily sold as the bearish stories on Europe circulated and the shares closed 21 lower at 348p on 2m traded.

Laporte falls

Consideration of Laporte following a visit by analysts and fund managers to the company's plant in Widnes led to some cuts in profit forecasts by analysts and the shares fell 22 to 593p.

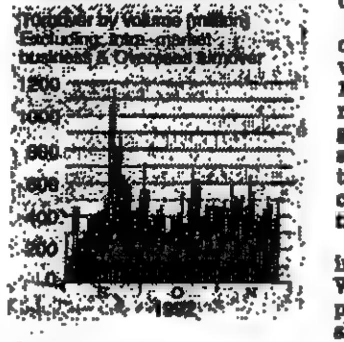
Smith New Court reduced its estimate for 1992 to £87m from £92m and for the following year to £90m from £95m after making a greater allowance for currency devaluation. However, Smiths likes the fundamentals and says output is rising strongly. The house is happy to pick up stock on weakness.

Despite positive full-year figures from Kwik Save, the shares fell initially as the market took a negative view of the group's strategy in what it perceived as a rapidly saturating market. The stock market continued to fear that Kwik Save's margins would come under pressure as competition increased.

However, a meeting with analysts changed perceptions, with the group's impressive earnings growth coming to the fore, and the shares rebounded. Kwik Save also tried to reassure the market that its expansion policy would target new areas, such as Scotland and East Anglia. Analysts suggested the group might target unwanted Gateway Stores, north of the border. Most brokers upgraded forecasts for next year to around £130m. The shares, off 20 at one stage, closed 4 down at 748p.

A series of important board changes, including the splitting of the role of chairman and chief executive, plus a growing feeling that the company will maintain its interim dividend at 4p, drove BPB shares higher. The market expects the group's half-time profits to either break even or come in marginally higher than those during the same period last year when profits were £24m. County NatWest is forecasting profits of around £20m while BZW expects a small rise in profits to around the £27m-mark. BPB shares closed 5 firmer at 190p, the highest level since May this year with turnover a hefty 6.3m shares.


FT-A All-Share Index


Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover

Heywood Williams slipped 3 to 147p after one leading UK broking house was said to adopted a more bearish line on the stock. Pilkington, where some of the market's extreme bears are said to be forecasting a decline to 60p by Christmas, dipped 3 to 75p on good turnover of 44p. Tarmac, whose shares ran up from a low of 53p in September this year to 98½p early this month on a mixture of recovery and takeover hopes, dropped back sharply to close a net 7 down at 88p.

Utilities fell across the board with the power generators still said to be feeling the effects of the bearish view adopted by Smith New Court and the water stocks upset by the slightly disappointing interim figures released by North West Water. The latter closed 12 down at 481p.

Rothmans International lifted 12 to 610p after announcing half-year profits that were flat but at the higher end of forecasts.

A statement by Fisons that it had agreed to sell its US and Canadian Consumer Health businesses to Ciba-Geigy for about $140m (£92.7m), well above expectations, came too late to help the shares which closed unchanged at 199p.

ICI remained without support and fell through the £10 barrier for the first time since February 1991. The shares closed 15 off at 994p.

Inchcape, by far the biggest company in the business services sector of the market, fell 17 to 485p as the market responded to hints that the group may be about to launch a sizeable rights issue, possibly to fund an acquisition. Inchcape shares fell 17 to 485p after trade of 1m shares.

Guinness stayed under selling pressure as County NatWest advised clients to take profits in the short-term. The shares tumbled 13 to 520p.

Despite a fall in profits, shares in Tate and Lyle moved forward as the market discounted the setbacks which were well signalled and blamed largely on the weather and on abnormal market conditions. While some analysts declared themselves disappointed, the company was said to have produced a good defence at the post-results meeting. Forecasts ranged from £230 to £240m for next year. The shares rose 12 to 368p.

Worries over the potential for recovery in the hotel sector hit both Forte and Ladbroke as Kleinwort Benson surveyed the effects of US tourism on the UK market. Kleinwort forecasts a 6 per cent rise in US tourists next year will be offset by an increase in hotel rooms.

Arguing that both shares should be sold, Mr Paul Slattery at Kleinwort said: "Forte and Ladbroke are on a very high multiple on expectations of a recovery in the hotel market underpinned by a big increase in US visitors. This will simply not happen." Forte dropped 6 to 172p and Ladbroke the same to 182p.

Television group TVS lost 3 at 25½p after announcing that one potential bidder had dropped out.

Shares in aero-engine manufacturer Rolls-Royce were volatile with broker Smith New Court early sellers sending the shares 3 lower to 89p. However, bargain hunting, the winning of a number of small orders and the possibility of further engine orders, left the shares 4 up at 96p, with turnover at 7.2m.

The market was relieved that plans to slow production of several Boeing lines excluded the Boeing 737. Shares in Smiths Industries, a supplier of 737 parts, gained 3 to 315p with sentiment boosted by talk that new aircraft orders may lead to more orders for Smiths.

A first half loss of £1.48m at ML Holdings sent the shares sliding 6 to 15p.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 18.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (98).
AMERICANS (14) Amer. Express, Ameritech, Chase Manhattan, Colgate-Palmolive, Ford Motor, Gen. Elect., Hasbro, Honeywell, Lockheed, Lowe's, Quaker Oats, Southwestern Bell, Varity, Woolworth, BANKS (5) Abbey Natl., Bank Ireland, Dai Ichi, Lloyds, Mitsubishi, BLDG MATLS (1) Wolseley, BUSINESS SERVS (2) Chubb Sec., Wills, CHEMS (1) Evode Pf., CONGLOMERATES (1) Amer A, ELECTRICALS (4) Ericsson, Johnson Elect., Nokia Pf., Toshiba, ELECTRONICS (3) Micro Focus, Racal Elects., Sema, ENG GEN (1) Carclo, FOOD MANUF (1) IAWS A, FOOD RETAILING (4) ASDA, Iceland, Kwik Save, Park, HEALTH & HSEHOLD (3) AAH, Amersham, Astra B, INSCE BROKERS (1) Berry Birch, INSCE COMPOSITE (4) Aegon, Amer. Gen., Comm. Union, USF & G, INV TRUSTS (27) American, Do. B, Anglo & O'seas, Baring Chrysalis, Baring Puma, Brit. Assets, Drayton Blue Chip Zero Div. Pf., Eng. & Scot., Fleming Amer., Do. Cv. Ln. 1999, Fleming Inc. & Cap. Zero Div. Pf., Fulcrum Zero Div. Pf., GT Venture Warrants, Genesis Malaysia Maju Fd., Govett Amer. Endeavour, Govett Amer. Smaller Co's., I & S Optimum Inc. Zero Div. Pf., London Amer. Venture, Murray Inc., New Frontiers 6½pc Ln. 2010, Scot. Nat. Zero Div. Pf., TR Tech. Units, Do. Zero Div. Pf., US Smaller Co's., Do. Warrants, MEDIA (3) Independent, Sterling Publshg., Utd. News., OIL & GAS (1) Kelt Energy, OTHER FINCL (2) Perpetual, Pokphand, PACKG, PAPER & PRNTG (1) Clondalkin, Enso-Gutzeit, Fibotex, PROP (1) Lon. Merchant 7¾pc Ln., STORES (3) Boxoo, Oriflame, TELE NETWORKS (1) Vodafone, TEXTS (1) Claremont Grmts., TRANSPORT (1) CSX, MINES (2) Malaysia Mining, Resolute Res.

NEW LOWS (46).
CANADIANS (2) Echo Bay Mines, TVX Gold Inc., BUSINESS SERVS (6) ADT, BET, Bridgend, Brooks Serv., Comso, REA, CHEMS (1) ICI, CONTG & CONSTRCN (2) Campbell & Armstrong, Miskin, Severfield-Reeve, ELECTRONICS (6) ACT, Kalamazoo, Lexicon, Molynx, Northamber, P & P, ENG AERO (1) Rolls-Royce, ENG GEN (2) EIS, Hall, FOOD RETAILING (1) Fyffes, HOTELS & LEIS (2) Bristol Scotts, Tomorrows Leis., INV TRUSTS (2) First Ireland Warrants, Malaysian Emrg. Warrants Co's, MEDIA (1) Lopex, MISC (4) EFG, Hornby, Pittard Garnar, Toye, MOTORS (3) DAF, Perry, Vardy (Reg), OIL & GAS (1) Lasmo Ops., PACKG, PAPER & PRNTG (1) Stat-Plus, PROP (2) Benchmark, Palmerston, STORES (1) In Shops, TEXTS (1) Tomkinsons, MINES (5) Gencor, Gold Fields S.A., Harmony, Hartebeest, Placer Pac.

FINANCIAL TIMES EQUITY INDICES

	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	Year ago	High	Low
Ordinary share	2033.1	2040.1	2034.3	2035.9	2017.8	1858.4	2148.7	1670.0
Ord. div. yield	4.55	4.53	4.54	4.53	4.58	5.01	5.34	4.24
Earning yld % full	6.31	6.28	6.34	6.33	6.40	7.45	-	-
P/E ratio net	20.20	20.29	20.10	20.13	19.91	16.06	20.84	15.76
P/E ratio nil	18.65	18.73	18.56	18.59	18.38	15.81	-	-
Gold Mines	64.4	63.0	63.3	64.3	64.1	171.2	169.6	63.0

*for 1992 Ordinary share index since compilation: high 2148.7 2/8/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2043.3	2042.7	2041.5	2043.1	2040.6	2041.4	2041.1	2040.6	2035.5	2044.0	2032.8

Volume	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	Year ago
SEAQ Bargains	28,676	24,334	27,258	26,627	25,807	20,304
Equity Turnover(£m)†	-	1219.0	955.2	1009.8	1204.5	985.3
Equity Bargains†	-	32,378	26,290	30,470	28,193	19,656
Shares traded (mil)†	-	512.7	393.8	475.7	610.4	477.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

Fading hopes of a further cut in interest rates saw stock index futures surrender most of Tuesday's gains from a late squeeze in another lacklustre trading session, writes Joel Kibazo.

The first trade in the December contract on the FT-SE was struck at 2,750, some 3 points below the previous day's close, and the contract traded in a narrow range of 2,740 and 2,750 right through into the afternoon with profit taking, mainly from independent traders, playing the major role. Poor form in the fixed interest markets also played its part in dampening enthusiasm.

It was however a large sell off by two leading US houses just before 3pm that led to the slide in December. It finished at 2,724, down 29 on Tuesday's session and around 6 points above its estimated fair value premium to cash of about 6. A healthy premium was maintained for most of the session until just before the close when it briefly traded at a discount. Turnover was 5,482 contracts.

Dealers talked of continued selling in after hours trading.

In Traded options, the 10.10am expiry of several stock options provided the only excitement in another poor session and it accounted for a majority of the day's turnover. Total volume reached 28,248 lots with trade in the FT-SE 100 option a meagre 4,885 contracts. Asda was the busiest stock option with a day's total of 2,929.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2709.6 -17.5	2611.1 -7.9	1285.35 -7.04

	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2709.6	2727.1	2722.9	2732.4	2708.2	2428.6	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2611.1	2619.0	2624.2	2623.4	2616.9	2410.1	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1310.3	1317.9	1316.6	1320.4	1309.6	1182.0	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2727.3	2724.7	2725.4	2725.7	2724.2	2723.7	2721.3	2719.8	2709.5	2728.0	2708.8
FT-SE Mid 250	2620.2	2619.5	2620.1	2620.2	2618.5	2618.0	2616.2	2615.2	2611.3	2621.0	2610.9
FT-SE-A 350	1318.1	1317.0	1317.3	1317.5	1316.7	1316.4	1315.4	1314.7	1310.3	1318.4	1309.9

Gross dividend yield (ACT at 25%) FT-SE 100:4.46 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday November 25 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Nov 24 Index No.	Mon Nov 23 Index No.	Fri Nov 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	772.97	−0.1	7.30	5.55	17.85	29.69	774.06	776.34	779.05	758.22
2 Building Materials (23)	769.11	−1.7	6.73	7.11	21.15	35.83	782.70	786.04	788.41	914.04
3 Contracting, Construction (26)	648.56	−0.9	4.27	7.64	63.45	37.38	654.46	662.81	664.52	1005.62
4 Electricals (9)	2180.67	−0.3	7.71	6.90	16.97	108.10	2186.20	2170.88	2176.39	2390.93
5 Electronics (27)	2191.04	+0.8	6.97	3.90	18.24	50.14	2174.25	2168.44	2168.73	1638.95
6 Engineering-Aerospace (6)	246.10	+1.1	14.38	9.54	8.85	15.92	243.47	245.58	248.93	323.41
7 Engineering-General (43)	452.34	+0.3	8.81	5.19	14.49	16.58	451.07	452.68	453.28	459.41
8 Metals and Metal Forming (7)	274.88	+0.2	6.22	4.67	23.42	8.52	274.25	275.98	278.26	317.09
9 Motors (15)	323.01	−0.4	6.30	7.28	23.16	17.59	324.31	326.14	328.00	302.28
10 Other Industrials (18)	1771.21	......	7.04	4.72	17.17	61.23	1771.86	1776.99	1784.73	1522.54
21 CONSUMER GROUP (192)	1671.29	−0.5	6.96	3.48	17.85	40.00	1680.06	1679.72	1681.43	1533.59
22 Brewers and Distillers (25)	2007.67	−0.4	8.27	3.68	14.59	41.53	2016.36	2023.02	2009.06	1877.64
25 Food Manufacturing (19)	1246.02	+0.1	8.39	4.29	14.89	36.85	1244.39	1253.47	1254.76	1184.47
26 Food Retailing (18)	2964.57	+0.1	8.69	3.17	14.97	62.29	2961.15	2967.76	2956.23	2342.04
27 Health and Household (26)	4328.60	−1.2	5.15	2.62	22.57	87.51	4382.30	4364.00	4413.08	3935.89
29 Hotels and Leisure (18)	1147.92	−0.8	6.90	5.96	19.12	46.03	1157.50	1154.53	1161.80	1296.55
30 Media (27)	1658.00	−0.4	6.04	3.19	20.66	38.19	1664.06	1671.25	1669.45	1435.80
31 Packaging, Paper & Printing (17)	729.89	−0.4	7.16	4.46	17.33	24.01	732.80	730.88	734.86	738.36
34 Stores (33)	1084.10	−0.2	6.72	3.34	19.69	26.40	1086.79	1079.83	1073.38	988.03
35 Textiles (9)	689.91	−1.2	6.86	4.45	18.36	21.09	698.21	702.23	702.39	615.00
40 OTHER GROUPS (116)	1380.37	−0.5	8.86	4.96	14.06	41.46	1387.26	1383.01	1388.00	1200.49
41 Business Services (18)	1397.69	−0.8	6.34	3.65	19.33	30.78	1408.51	1398.92	1422.37	1385.64
42 Chemicals (22)	1331.99	−0.8	6.87	5.50	18.43	48.71	1342.39	1343.42	1348.16	1384.76
43 Conglomerates (10)	1358.74	+0.4	8.48	8.10	15.09	40.93	1353.71	1330.49	1328.92	1399.83
44 Transport (13)	2586.60	+0.5	8.79	4.59	13.64	83.03	2573.94	2568.54	2559.04	2291.94
45 Electricity (16)	1516.63	−2.1	13.80	4.88	9.32	55.01	1548.95	1559.64	1566.03	1167.66
46 Telephone Networks(4)	1639.55	......	8.06	4.17	16.13	46.15	1640.01	1627.56	1623.65	1422.19
47 Water(11)	3228.76	−1.5	14.01	5.39	7.90	94.82	3277.96	3280.31	3324.14	2240.53
48 Miscellaneous (22)	2360.74	−0.2	6.02	4.28	20.53	56.19	2365.80	2369.46	2395.51	1764.18
49 INDUSTRIAL GROUP (482)	1353.15	−0.5	7.65	4.32	16.37	38.41	1359.28	1358.40	1361.52	1233.75
51 Oil & Gas (18)	2141.85	−0.8	6.23	6.05	21.09	102.73	2159.32	2159.23	2169.87	2269.10
59 500 SHARE INDEX (500)	1426.83	−0.5	7.51	4.50	16.76	43.43	1433.83	1432.99	1436.67	1323.45
61 FINANCIAL GROUP (82)	840.62	−1.0	–	5.22	–	31.47	848.77	846.42	848.69	737.52
62 Banks (9)	1156.75	−1.5	5.32	4.82	28.19	40.52	1174.27	1165.07	1175.03	857.88
65 Insurance (Life) (6)	1686.96	−0.9	–	5.39	–	68.18	1703.01	1706.73	1691.43	1456.25
66 Insurance (Composite) (7)	615.51	−0.1	–	4.90	–	22.58	616.09	618.18	614.72	531.58
67 Insurance (Brokers) (10)	706.50	−0.5	8.89	7.58	15.12	42.23	709.72	708.89	709.80	989.49
68 Merchant Banks (6)	452.04	−0.8	–	5.06	–	16.75	455.69	459.17	460.84	471.22
69 Property (30)	615.32	+0.3	9.16	6.88	14.28	24.94	613.72	617.92	616.02	867.83
70 Other Financial (14)	265.06	+0.2	7.49	6.30	17.53	10.24	264.41	264.32	263.86	238.88
71 Investment Trusts (69)	1261.31	−0.2	–	3.44	–	30.44	1263.21	1263.77	1259.82	1167.28
99 ALL-SHARE INDEX (651)	1285.35	−0.5	–	4.57	–	40.06	1292.39	1291.28	1294.43	1183.03

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1278.5	1277.4	1277.4	1277.6	1276.8	1275.2	1273.8	1273.3	1270.9	1270.9	1283.9	-13.0
Health & H	1327.4	1322.5	1319.1	1319.8	1318.5	1317.7	1315.4	1312.7	1309.7	1310.3	1326.9	-16.6
Water	1356.3	1352.9	1350.3	1345.7	1344.7	1341.7	1342.0	1340.1	1333.8	1335.0	1356.3	-21.3
Banks	1423.4	1422.6	1426.5	1420.3	1424.3	1422.2	1419.4	1417.5	1408.2	1404.8	1426.2	-21.4

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LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		100¼	—	100⅞	97⅞	8.23	6.84
10pc 1993‡‡		101⅞	—	101⅞	99⅛	9.87	6.70
12¼pc 1993‡‡		103¼	—	104⅞	100⅞	12.00	6.55
Funding 6pc 1993‡‡		99⅞	−⅛	100	95⅞	6.01	6.20
Treas 13¾pc 1993‡‡		107	−⅛	107¼	103⅞	12.85	6.39
8½pc 1994		102¼	—	102⅞	96¼	8.31	6.43
14½pc 1994‡‡		109¼	—	110⅞	104⅞	[illegible]	6.59
Exch 13½pc 1994		109¼	—	110⅞	103⅞	12.36	6.51
Treas. 10pc Ln. 1994‡‡		104½xd	—	105⅞	99⅞	[illegible]	6.84
Exch 12¼pc 1994		108⅞	—	110⅛	103⅛	11.40	6.64
Treas 9pc 1994‡‡		104⅞	—	104⅞	96⅞	8.62	6.98
12pc 1995		110⅛	—	111⅛	102⅞	[illegible]	6.85
Exch 3pc Gas 90-95		94⅞	—	95¼	88¼	3.16	5.29
10¼pc 1995		106⅛	—	106¼	99⅛	9.47	6.94
Treas 12¾pc 1995‡‡		113⅞	−⅛	116½	106¾	11.06	6.93
14pc 1996		118¾	−⅛	119⅞	109⅞	11.80	7.27
9pc 1992-96‡‡		100⅞	—	104¼	95⅞	8.97	6.88
15¼pc 1996‡‡		122⅞	−⅛	125¼	113⅞	12.33	7.35
Exch 13¼pc 1996‡‡		117⅞	+⅛	119⅛	108	11.22	7.36
Conversion 10pc 1996		106¼	−⅛	110⅞	99⅞	9.14	7.23
Treas 13¼pc 1997‡‡		120⅞	−⅛	121⅞	109⅞	10.89	7.40
Exch 10½pc 1997		111⅞	−⅛	112⅞	100⅞	9.40	7.31
Treas 8¾pc 1997‡‡		106	−⅛	107½	94	8.26	7.20
8¾pc '97 ‡‡		26⅞	−⅛	30½	25	8.28	7.24
Five to Fifteen Years							
Exch 15pc 1997		128⅞	−¼	131⅛	117⅞	11.66	7.59
9¾pc 1998		106⅞	−¼	111⅛	97⅞	9.11	7.46
Treas 7¼pc 1998		25¼	−⅛	27⅞	25	7.28	7.10
Treas 6¾pc 1995-98‡‡		97⅞	−⅛	99⅛	86⅞	6.89	7.22
15½pc '98‡‡		135¼	−⅛	137⅞	123⅞	11.46	7.84
Exch 12pc 1998		119¾	−⅛	121⅞	107⅞	10.05	7.69
Treas 9½pc 1999‡‡		109⅛	−⅛	111⅛	97⅞	8.71	7.63
Exch 12¼pc 1999		120⅞	−⅛	122⅞	108¼	10.12	7.86
Treas 10½pc 1999		119⅞	−⅛	118⅞	101⅞	9.34	7.76

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		112	−⅛	113⅞	100⅞	9.17	7.78
9pc 2000‡‡		105⅛	−⅛	105¼	94½	8.48	7.80
Treas 13pc 2000		126⅛	−⅛	128¾	114⅞	10.31	8.30
10pc 2001		110¾	+⅛	113⅞	99⅞	9.02	8.14
14pc '98-01		128⅞	−⅛	130⅞	115⅞	[illegible]	[illegible]
9¾pc 2002		109¼	+⅛	111⅞	98¼	8.92	8.34
10pc 2003		110¼	+⅛	113⅛	100⅛	9.05	8.40
Treas 11½pc 2001-04		117¾	+⅛	120¼	107⅛	9.77	8.46
Funding 3½pc '99-04		69⅞	+⅛	69¾	58½	[illegible]	7.60
Conversion 9½pc 2004		109⅞	—	109⅛	96⅞	8.69	8.55
9½pc 2005		108⅞	−⅛	109⅛	96⅞	8.69	8.50
Treas 12½pc 2003-05		126⅛	−⅛	128¼	115⅛	9.96	8.66
8pc 2002-06‡‡		96⅞	−⅛	97⅞	85¼	8.34	8.50
Treas 11¾pc 2003-07		119¾	+⅛	122¾	110⅞	9.80	8.75
Treas 8½pc 2007 ‡‡		98⅛	−⅛	100⅞	86⅞	8.69	8.60
13½pc '04-08		133⅞	—	135⅞	123⅞	10.01	8.92
Over Fifteen Years							
9pc 2008 ‡‡		102¼	−⅛	104⅞	90⅞	8.80	8.73
8pc 2009		93⅛	−⅛	95⅛	85⅛	8.59	8.77
8pc 2009 A		23⅞	−⅛	28⅞	23⅛	8.60	8.79
Conv 9pc Ln 2011 ‡‡		101⅛	−⅛	103¾	89⅞	8.86	8.82
Treas. 9pc 2012		101⅛	−⅛	103⅞	89⅞	8.87	8.83
9pc 2012 A		101⅞	−⅛	103½	94¼	8.87	8.83
Treas 5½pc 2008-12‡‡		71⅛	−⅛	72⅛	62⅞	7.73	8.54
7¾pc 2012-15‡‡		90⅞	−⅛	92⅛	81⅞	8.89	8.67
Exch 12pc '13-17		127⅞xd	−⅛	130⅞	118⅞	9.41	9.04
Treas 8¾pc 2017		98⅞	−⅛	101⅛	91⅛	8.94	8.85
8¾pc 2017 A ‡‡		98⅞	−⅛	101⅛	91⅛	8.88	8.86
Undated							
Consols 4pc		44⅞	—	46⅛	39⅞	8.92	–
War Loan 3½pc‡‡		39½xd	—	40¼	35⅛	8.86	–
Conv 3½pc '61 Aft		61¼	—	63⅞	60	5.71	–
Treas 3pc '66 Aft		34¼	—	36	29⅛	8.86	–
Consols 2½pc		28⅛	−⅛	28⅞	24⅛	8.57	–
Treas. 2½pc		28⅛	−⅛	29	24⅛	8.82	–

BRITISH FUNDS - Cont.

Index – Linked	Notes (b)	Price £	+ or -	1992 high	1992 low	Yield Int. (1)	Yield Red. (2)
Treas. 2pc '94	(102.9)	122¼	+⅛	123¼	122⅛	[illegible]	3.05
2pc '96	(67.9)	187⅛	—	187¼	178⅛	1.78	2.46
4⅝pc '98	(135.3)	91⅞	+⅛	92⅛	[illegible]	2.73	3.29
2½pc '01	(78.3)	161⅛	−⅛	162⅞	139⅞	[illegible]	3.43
2½pc '03	(78.8)	167⅛	−⅛	168⅞	135	3.33	3.52
4⅜pc '04	(135.3)	97⅞	−⅛	98½	91⅛	[illegible]	3.55
2pc '06	(69.5)	161⅛	−⅛	162⅞	137⅞	[illegible]	3.65
2½pc '09	(78.8)	146⅛	−⅛	147⅞	124⅞	[illegible]	3.70
2½pc '11	(74.6)	150⅛	−⅛	152⅞	129⅞	3.62	3.81
2½pc '13	(89.2)	129⅞	−⅛	129⅞	109⅞	3.67	3.84
2½pc '16	(81.6)	131⅛	−⅛	133⅞	112⅞	3.76	3.88
2½pc '20	(83.0)	128⅞	−⅛	128⅞	107⅞	3.78	3.88
2½pc '24‡‡	(97.7)	104	−⅛	106⅞	89⅛	3.77	3.90
4⅛pc '30‡‡	(135.1)	104⅛	−⅛	107⅞	91⅞	3.77	3.91

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1992: 138.8 and for October 1992: 139.9

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		118½	−¼	118⅞	105⅞	9.55	9.18
Asian Dev 10¼pc 2009		108⅞	+⅛	111⅞	100⅞	9.39	9.08
B'ham 11½pc 2012		114½	—	116	102⅞	10.04	9.80
Ireland Cap 8½pc '10		99	—	103	88⅛	[illegible]	–
9pc Cap 1996		101⅛	+⅛	102⅛	90	[illegible]	–
13pc '97-02		116	—	118⅞	108⅞	11.38	–
Hydro Quebec 15pc 2011		152⅞	−⅛	141⅞	130⅞	10.76	10.23
Leeds 13½pc 2006		128¼	—	128⅞	118¼	10.59	9.78
Liverpool 3½pc Irred		34½	—	36	30	10.14	–
LCC 3pc '20 Aft		30½	—	32	27	9.84	–
Manchester 11½pc 2007		116	—	118½	109¼	[illegible]	9.80
Met. Wtr. 3pc 'B'		62½	—	63⅞	53	4.80	8.45
N'wide Anglia 3⅞pc 2021		118	—	121	103¼	–	4.94
4⅛pc IL 2024		118⅞	—	118¼	103¼	–	4.78
Utd Mex States 16½pc 2008		131	—	131½	121½	12.60	12.08

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs ___ h	20 11/16xd	+3/16	21	14 5/8	17,448	1.8
Allegheny & W ___ ♥	417p	-12	454p	225p	218.7	4.5
Amdahl	524p	+5	1159p	455p	588.5	1.2
Amer Cyanamid	37	-1/4	37 5/8	28 5/8	3,338	2.8
Amer Express	14 7/8xd	+3/16	14 7/8	10 7/8	7,081	4.3
Amer T & T	31 1/16xd	-1/4	31 1/2	20 1/4	41,389	2.7
Ameritech	44 5/8	+1/4	44 5/8	32 1/2	19,638	5.0
BankAmerica	28 7/16xd	+1/4	28 1/2	19 1/16	8,712	2.9
Bankers NY	42 13/16xd	-3/16	44	28 7/8	3,485	4.1
Bell Atlantic	31 1/2	—	31 1/2	23 1/8	13,699	5.2
BellSouth	32 7/8	-1/8	34 1/8	25	15,827	6.4
Bethlehem Steel ___ ♥	9 5/8xd	+1/8	9 7/8	5 1/4	878.7	–
Bowater	1539pxd	+6	1579p	905p	557.7	4.9
CPC ___ h	31 13/16xd	-1/16	33	22 1/8	4,618	2.4
Cadiz Land Inc ___ ♥	129p	—	342p	108p	–	–
California Engy	974p	-7	999p	591p	177.3	–
Chase Manhattan	17 3/8xd	-1/16	17 11/16	9 1/8	2,694	4.4
Chrysler	18 7/8xd	-1/8	19 3/16	8 1/4	6,518	2.0
Citicorp	12 1/8xd	—	[illegible]	5 1/4	4,409	–
Colgate-Palm	43 1/8xd	—	48 1/8	25 1/4	8,874	1.8
Cont'l Bank	1238p	—	1256p	489p	1,251	3.1
Dana	27 5/8xd	-1/4	28 11/16	14 3/16	1,266	3.6
Data General	721p	-4	1084p	384p	199.8	–
Decora Inds ___ ♥	145p	—	145p	66p	–	–
Dun & Brad	37 5/8	—	39 7/8	27 5/8	6,719	3.8
Eaton	47 1/4	+7/8	48 1/4	32 1/2	1,691	2.9
Echlin	19 3/16xd	-1/16	19 1/2	7 1/8	765.6	3.3
FPL	23xd	-1/32	23 1/4	17 13/16	4,154	6.8
Fluor	29 1/2xd	—	29 1/4	19 1/4	2,392	0.9
Ford Motor	25 13/16xd	-11/16	26 3/8	15	12,848	2.4
Gen Elect	54 7/16xd	+2 7/32	54 7/16	36 1/4	46,808	2.9
General Host ___ ♥	687p	+5	809p	360p	–	4.0
Gillette	38 7/16xd	+1/8	40	23 13/16	8,422	1.2
Hasbro	22 7/8	—	22 7/8	12 1/8	1,988	0.6
Honeywell	44xd	-1/8	44 1/8	32	3,846	2.5
Houston Inds	29 1/8	-1/8	28 1/2	22	3,772	6.5
IBM	42 3/16xd	+11/16	54 1/2	39 13/16	24,281	7.2
Ingersoll-Rand	20 1/16xd	+1/8	21	12 13/16	2,080	2.2
Lockheed	32 1/2	-1/8	32 7/8	22 1/8	1,994	4.1
Lowe's ___ h	1428p	+31	1428p	815 1/2p	1,099	1.2
Merrill Lynch	39 3/16xd	+1/4	39 13/16	24 1/8	4,827	1.9
Morgan (JP)	40 1/8xd	-3/16	42 1/2	28 1/16	7,708	3.4
Morris (Philip)	52 3/8xd	—	52 1/4	37 13/16	48,177	2.1
NYNEX	53 7/8	-1/8	54 1/8	39 5/8	11,063	5.4
Pall	17 1/4	-1/2	20	10 3/16	1,495	1.3
Pennzoil	34 1/16xd	-1/16	36 11/16	23 1/8	1,388	5.5
Quaker Oats	45 5/8xd	+1/4	45 5/8	28	3,349	2.7
Rockwell	16 13/16xd	-1/8	17 7/8	11 1/2	3,773	3.4
Rep NY	29 7/8xd	+3/16	29 7/8	20 7/8	1,554	2.1
Sears, Roebuck	27 13/16xd	—	28 5/8	19 3/16	8,635	4.5
Stnwestern Bell	[illegible]	+1/8	45 5/8	31 1/4	13,668	4.0
Sun Co	16 13/16	—	18 13/16	12 1/8	1,787	6.8
Tenneco	21 7/8xd	-1/4	25 3/16	16 1/2	2,708	4.7
Texaco	39 1/8xd	-1/4	40 1/4	30 13/16	10,154	5.1
Time Warner ___ h	18 1/4	+1/4	18 1/4	11 1/8	6,772	1.0
Unilab ___ ♥	324p	—	587p	320p	301.8	–
URS Intl Ic ___ ♥	6 1/4p	—	14p	0 1/4p	2.71	–
US West	24 1/8	+1/8	24 7/8	18 1/4	9,982	6.5
Varity	1417p	+41	1417p	632p	358.8	–
Waste Manage	28 1/8xd	-3/16	28 13/16	16 1/16	12,945	1.3
Whirlpool	2874pxd	+8	2878p	1765p	2,007	2.4
Woolworth ___ ♥	32 1/2	+1/8	28 1/2	13 1/4	2,940	3.1

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbot Energy ___ ♥	2p	—	8p	1 1/4p	–	–
Amer Barrick	1770p	-10	2080p	1268p	2,882	0.5
Bk Montreal	22 7/8	-1/8	25	19 1/4	2,798	4.7
Bk Nova Scot	1202p	-6	1298p	899p	2,488	4.4
BC Gas ___ ♥	[illegible]	+14	[illegible]	[illegible]	–	4.1
BCE	22 1/4	—	[illegible]	[illegible]	6,984	5.9
Brascan ___ ♥	897p	+7	968p	646p	674.8	7.9
Breakwater ___ ♥	14p	—	30p	6p	8.80	–
Can Imp Bk	1249p	+1	[illegible]	1157p	2,527	4.9
Can Pacific	748p	+20	[illegible]	[illegible]	2,286	2.9

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

Notes	Price	+or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv ♣†	179	-1	183	147	3.3	213.0	15.5
Warrants	32	—	39	21	—	—	—
Scot Mortgage ♣†	173½	-½	176	136	8.8	202.5	14.1
Scot National Inc ♣	76½xd	—	107	65½	18.4	—	—
Cap	10	—	42	12½	—	30.8	41.6
Stepped Pf	152½	—	155½	128	5.2	—	—
Zero Div Pf	209	—	209	166½	—	—	—
Warrants	8	—	9	3	—	—	—
Scot Value †z	66	—	66	49	3.6	68.2	3.2
Sec Alliance ♣	1335	-5	1343	1066	3.5	1508.5	11.3
Second Market s	252	—	258	222	8.8	296.1	15.1
Sec Tst Scot ♣	71½	—	76½	61	5.1	77.4	7.8
Select Assets	107	—	108	78½	1.1	155.4	31.2
Eq Ind Ser1	124	—	125	106	4.6	—	—
Eq Ind Ser2	124	—	125	108	4.8	—	—
SHIRESCOT	99	—	99	96	—	101.3	2.2
Shires ♣	231½	+1½	240	188	10.8	218.0	-6.2
11pc Cv Ln '03/04	£117	—	£118½	£95½	9.4	—	—
Siam Select	99	—	103	68	0.3	134.2	26.6
Warrants	16	—	21	10	—	—	—
Smaller Cos	66	—	65	66	5.1	78.4	16.5
Warrants	13	—	28	10	—	—	—
Somerset Tst	125	+10	140	55	—	88.2	-60.3
Sphere Inc N	12½	—	29	9½	38.1	23.3	46.5
Zero Div Pf	77¼	+½	77¾	63¾	—	—	—
Sumit	35	—	55	30	4.8	83.4	62.5
TR City of Lon	119¼	+½	127½	97½	5.3	118.4	0.7
TR Euro Growth ♣	75	—	90	70	2.4	97.9	23.8
Ptg Sub	33	—	54	33	6.6	—	—
TR Far East Inc ♣	112xd	—	115	78	5.4	122.3	8.8
Warrants	20½	+½	22	12	—	—	—
TR High Inc	118	—	111	91	7.3	105.0	-4.7
Sub g	21	—	35	21	9.8	—	—
TR Pacific ♣s	102	—	106	70	0.3	113.0	9.8
TR Prop ♣‡	17¾	—	27	14½	‡	26.5	32.4
TR Smaller ♣	120½	+½	152	98	4.1	143.4	16.0
TR Technology ♣	35	+1	37	18	6.7	157.7	78.4
Units	1910xd	+60	1919	1700	2.1	2263.5	15.6
Stepped Pf	98¼xd	+½	102¼	89¾	7.5	—	—
Zero Pf	208	—	208	154½	—	—	—
Temple Bar ♣N	259	—	277	226	8.5	284.5	8.6
5pc Cv Ln 2002	230	—	£117½	280	8.3	—	—
Templeton Em	218	—	220	165	1.5	205.1	-6.1
Warrants	95	—	105	56	—	—	—
1pc Cv Ln 2001	£221	—	£226	£162½	0.5	—	—
Thompson Clive	121	—	130	69	4.2	185.4	36.0
Thornton Asian	78	—	79	61	1.8	90.3	23.0
Warrants	8	-½	11	4	—	—	—
Thornton Pan Euro	26	—	30	24	6.1	31.8	19.3
Warrants	1	—	4	1	—	—	—
Throg Dual Inc	59	—	59	57	10.1	—	—
Cap	360	—	370	260	—	575.9	38.7
Throg 1990 Smlr Cos	76	+1	86	70	—	—	—
Warrants	11	—	14	10	—	—	—
Throgmorton Tst	65	—	69	39	6.8	81.4	20.7
Warrants	8½	—	30	5	—	—	—
Tor Inc	323	—	405	298	18.7	—	—
Cap	509	—	605	490	0.8	1058.9	45.3
Tno Inv Tst	34	—	62	35	2.4	44.4	-24.0
Trust of Prop	47	—	58	35	4.1	61.7	23.8
Turkey Trust ♣e	120	—	185	110	1.1	155.8	23.0
Warrants	19	—	49	17	—	—	—
USDC ♣†	169	+1	178	137	3.4	208.8	19.1
US Smaller Cos	122	+2	128	61	0.1	128.2	6.8

MEDIA - Cont.

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
Trinity Intl †g	284	—	300	222	185.7	3.9
Ulster TV †	257	-7	280	154	27.9	3.9
Utd News	478	+1	476	323	948.6	6.9
VTR ♣	38xd	—	65	38	2.78	11.9
WPP	43	—	116	31	88.7	—
Warrants	5	—	8½	1½	0.25	—
Watmoughs †	489	—	489	391	154.9	3.0
Yorkshire Tyne-T.	114	—	191½	113	58.9	14.0
Warrants	9	—	18	9	0.88	—

MERCHANT BANKS

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
Ansbacher (H)	31	—	34	26	57.9	—
Baring 8pc Cm 2nd Pf	96	—	101	83½	12.0	11.1
9¾pc Non-Cum Pf	115	—	125	103¼	48.0	11.3
Close Bros	222	—	287	205	86.7	5.7
Hambros ♣	221xd	-6	292	202	382.8	8.3
7½pc Cv Pf	118	-1	119	91½	145.8	9.1
Joseph (L)	308	—	333	308	18.2	5.9
Kleinwort Benson	283	-2	324	212	309.9	7.5
Rea Bros ♣	30	—	37	25	[illegible]	1.9
Schroders ♣†	1236	-2	1385	1043	[illegible]	1.8
N/V †	1000	-2	[illegible]	883	144.1	2.2
Singer & Fried ♣	42	—	58	34	[illegible]	7.9
Warburg (SG) ♣	477xd	-2	605	403	907.9	5.0
8pc Cv Pf	190	—	204	[illegible]	[illegible]	4.8
Wintrust	190	—	223	188	16.1	6.5

METALS & METAL FORMING

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
ASW ‡	58	—	196	50	37.9	‡
Apollo Metals ♣	82	-6	107	73	8.85	5.8
Ash & Lacy	130	—	168	128	34.8	8.6
Barrett (H) ‡	7#	—	45	7	3.84	‡
Billam (J) †	128	—	155	94	2.87	4.5
Brit Steel K	48½	+½	86	43½	966.0	2.7
BCI	17xd	—	35	15	14.7	16.1
Castings	185	—	195	118	33.8	3.4
Chamber & Hill	110xd	—	149	90	8.84	7.3
Cohen (A) ‡	285	—	400	256	4.73	‡
Cook (Wm) ‡	168xd	-1	335	88	23.5	‡
Cooper (F)	32xd	—	60	22	11.4	8.8
Downiebrae	27	—	39	27	4.72	2.6
Firth (GM)	7½	-½	35	7½	2.53	—
Garton ‡	94	—	130	94	3.20	‡
Glynwed Intl	239	-2	282	185	452.2	7.1
Johnson & Firth	47	—	73	44½	65.8	8.5
Johnson Matthey ♣	443	—	480	317	818.1	2.9
Kobe Steel Y	135	-1	282	119	5,614	2.0
Lee (A)	99	—	115	65	31.8	8.5
Unread ‡	75	—	100	61	8.13	‡
Manganese Bro	67	—	99	66	11.8	2.0
Metsec ♣‡	99	—	107	88	16.7	8.7
Morris Ashby ♣	135	—	135	79	11.8	4.6
Radiant Metal	99	—	100	70	1.13	—
Richards Grp	91	—	91	60	4.27	11.5
Saville Gordon	39	—	49	29	33.8	8.9
Stainless Metal ♣	32	+1	37	18	1.88	4.3
Sycamore	6	—	30	6	7.42	—

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
... prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other ...
... yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Int'l Bond & Conv	5	111.90	117.10xd	123.30	+0.10	6.16
Pooled Pension ♦	3½	137.4	141.8	146.7	.....	–
Smaller Cos	5	50.41	52.25xd	55.00	-0.09	2.56
UK General	5	110.70	112.30	118.20	+0.30	2.77
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	358.05	358.05	379.53	+1.78	5.44
Global Inc	5	50.87	50.87	53.92	-0.02	4.51
Brit. Leaders	5	301.68	301.68	319.78	+1.29	3.19
Intl Leaders	5	163.94	163.94	173.78	+1.06	1.88
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.01	46.15xd	49.09	+0.24	1.61
Far Eastern Tst	6	52.14	52.64	56.05	-0.26	0.87
Smaller Cos	5	110.2	114.9	122.3	.....	3.05
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American ♦	9	265.6	266.2	281.6	-1.3	0.93
S & W Capital	5	106.3	106.3	113.8	.....	1.85
S & W Cash ♦	0	101.26	101.26	101.26	+0.02	7.03
S & W European	5	102.5	102.7	108.7	+0.1	1.35
S & W Far Eastern	5	110.3	111.2	117.6	+1.0	0.01
S & W Growth	5	115.0	114.2xd	120.8	-0.3	1.38
S & W Income	5	99.36	100.8	106.6	-0.2	5.40
S & W Magnum	5	112.9	112.9	121.1	+0.1	1.77
S & W Smlr Secs	5	249.0	254.1xd	268.8	+0.2	0.65
S & W Thoroughbred	5	130.3	130.3xd	139.7	+0.1	1.76
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	74.30	74.30	79.46	-0.31	0
Eur Sp Sits Acc	5¼	39.94	39.94	42.76	-0.11	0
Eur Sp Sits Inc	5¼	37.72	37.72xd	40.38	-0.11	0
Far East Opps Inc	5¼	26.72	26.72	28.80	+0.19	0
Far East Opps Acc	5¼	27.38	27.38	29.51	+0.19	0

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	87.91	87.91xd	89.96	-0.02	0.00
Short Dtd Gilt	1¼	106.9	106.9	108.3	+0.30	2.93
Gilt Income	4	51.32	51.32	53.40	+0.19	8.68
Gilt Growth	4	63.14	63.14	65.73	+0.07	0.00
City Reserve	0	55.16	55.16	55.17	+0.01	7.88
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	59.62	59.86	63.68	-0.29	2.59

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Nov 18	646.8	669.61	+4.5	1.04
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	49.79	51.57	(d)	4.8
Income Plus	48.60	49.56	(d)	7.5
James Capel Fund Managers Ltd				
Managed Exempt	120.54	127.44	+0.58	4.29
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Oct 31	544.70	548.30	.....	5.40
Fxd Int Sec Oct 31	151.40	152.10	.....	9.53
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2000				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd.	617.6	657.1	+1.9	–
Adventurous Mngd	148.5	158.0	+0.6	–
Cautious Mngd	119.1	126.8	+0.3	–
Cash Fd	313.9	330.8	....	–
Property Fund	217.5	231.4		–
Equity Fund	710.4	755.8	+2.5	–
Fxd. Int. Fund	392.4	413.5		–
International	319.6	340.0	+0.8	–
High Income	334.2	368.3	+2.9	–
Far East	421.8	448.8		–
North American	418.8	445.6	+1.5	–
Special Sits	491.3	522.7	+1.1	–
Technology	417.0	443.7	+0.9	–
Extra Inc Fd.	293.7	312.9	+1.7	–
Convertible & Gilt Fd.	141.1	150.2	+0.3	–
American Income	167.4	178.1	−0.1	–
Gilt Fund 20	435.6	463.5		–
European Fund	112.2	119.4	+1.3	–
Pref & Fixed Int.	106.8	113.7	+0.2	–
UK Blue Chip	109.2	115.1	+1.1	–
Recovery Fund	102.3	107.9	+0.4	–
Equity Income Dist.	99.2	105.6	+0.5	5.02
Managed Dist.	94.9	101.0	+0.5	5.92
High Yield Dist.	99.3	104.7	+0.1	7.83
Pension Funds				
Balncd Gth Mgd Pens Acc.	713.4	751.0	+2.7	–
Adventurous Mgd Pens Acc.	154.5	162.7	+0.7	–
Cautious Mngd Pens Acc.	136.9	144.2	+0.4	–
Building Soc. Acc.	361.0	380.1		–
Property Pens. Acc.	295.3	310.9	....	–
Fix Int Pens. Acc.	618.8	651.4		–
Equity Pens Acc.	902.0	949.5	+3.7	–
International Pens Acc.	294.2	309.7	+1.2	–
High Inc Pens Acc.	600.1	631.7	+3.6	–
Tech Pens Acc.	295.3	310.9	+0.6	–
N American Pens Acc	314.6	331.2	+0.9	–
Far Eastern Pens Acc	414.7	436.6		–
Special Sits Pens Acc.	402.9	424.2	+1.2	–
Extra Income Pens Fd	354.5	373.2	+2.0	–
Convertible & Gilt Pen.	172.9	182.0	−0.1	–
American Inc Pens	191.3	201.4	+0.6	–
European Pens	124.4	131.0	+1.4	–
Managed Cash Pens	170.0	179.0		–
Pref & Fixed Pens.	124.7	131.3	+0.3	–
UK Blue Chip	116.8	123.0	+0.6	–
Recovery Fund	107.7	113.4	+0.5	–
Bonded With Profits Pen.	106.6	112.3		–
Other Funds				
Margetts Growth	116.5	122.7	+0.8	–

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd.	166.8	175.6	+0.1	–
Equity Acc Fd.	380.4	400.4	+1.2	–
Managed Acc Fd	335.7	353.4	....	–
Prop Fd (1st Issue)	–	594.5	....	–
Prop Acc Fd (2nd Iss)	121.3	127.7	....	–
Unit Trust Mn. Fd.	153.1	161.2	....	–
RL Pension Funds				
Deposit Acc.	241.6	254.3	....	–
Equity Acc.	278.3	293.0	+1.2	–
Fixed Int Acc.	243.1	255.9	....	–
Gilt Indx Lnk Acc.	185.3	195.1	....	–
Managed Acc.	368.6	388.1	....	–

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
JRA/M&G Managed	108.2	113.9	+0.10	–
JRA/Scottish Amicable Mngd	103.1	108.6	−0.10	–
JRA/St James's Place Mngd	110.6	116.5	−0.30	–
Deposit	99.20	104.5	....	–
Far East	114.7	120.8	+0.10	–
Gilts	104.2	109.7	+0.10	–
Greater European	106.0	111.6	−0.10	–
North American	124.5	131.1	+0.70	–
UK Equity	106.7	112.4	−0.10	–
Pension Funds				
JRA/M&G Managed cap	105.7	111.3	....	–
JRA/M&G Managed acc	108.8	114.6	....	–
JRA/Scottish Amicable Mngd cap	99.80	105.1	....	–
JRA/Scottish Amicable Mngd acc	102.7	108.2	−0.40	–
JRA/St James's Pl Mngd cap	112.8	118.8	−0.50	–
JRA/St James's Pl Mngd acc	116.1	122.3	−0.60	–
Deposit cap.	99.60	104.9	+0.30	–
Deposit acc.	102.6	108.0	+0.40	–
Far East cap.	111.7	117.6	....	–
Far East acc	114.9	121.0	....	–
Gilts cap	102.3	107.7	+0.30	–
Gilts acc	105.3	110.9	+0.30	–
Greater European cap	105.5	111.1	−0.70	–
Greater European acc	108.5	114.3	−0.80	–
North American cap	128.8	135.6	+0.80	–
North American acc	132.6	139.6	+0.80	–
UK Equity cap	103.3	108.8	−0.50	–
UK Equity acc	106.4	112.0	−0.50	–

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow

Scottish Provident Institution
6 St Andrews Sq

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
IBI Global Funds Limited				
Intl Stlg Gwth.	£20.42	21.51	+0.41	−
Intl SUS Gwth	$17.61	18.55	−0.01	−
High Income Gilt	£26.04	26.99	.....	−
International Equity	£20.83	21.95	+0.48	−
International Bond	£22.56	23.98	−0.25	−
Managed Currency	£27.75	28.04	+0.02	−
Sterling Currency	£26.38	26.66	.....	−
US$ Currency	$37.72	38.11	+0.01	−
Irish £ Currency	I£15.07	15.23	−0.02	−
R. & H. Fund Managers Ltd				
LFM Sterling Fd	£11.05	11.52	.....	−
[illegible]	[illegible]	12.15	.....	−
Target International (Isle of Man) Ltd				
IMC Offshore Fd.	£9.13	9.82	−	−
[illegible]	£9.24	9.49	.....	−

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gross
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36433
AIB Currency Funds Ltd						
Intl Managed Bond	5		16−21.0056	21.0186	[illegible]	
Managed Capital Bd	5		16−21.0531	21.0822	[illegible]	
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		6−	10.9203	[illegible]	−
Sterling Currency Fd	5		4−	10.5206	[illegible]	−
Ecu Currency	5		Ecu−	10.7317	[illegible]	−
US Dollar Mngd Curr	5		$−	21.4322	[illegible]	−
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£0.874	0.879	0.940	[illegible]	1.0
Global Income (Inc)	5¼	£0.505	0.505	0.540	[illegible]	2.4
Global Resources	5¼	£0.398	0.402	0.430	[illegible]	0.6
Currency Funds						
Stlg Premium Income		£10.21		10.22	+0.01	6.5

	Bid Price	Offer Price	+ or −	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.457	2.580	.....	1.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.92	9.97	+0.03	9.43
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 19	$12.98	13.25	.....	3.02
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0	.....	8.11
UK Equity Fd (z)	211.5	225.0	−0.02	2.04
*Intl Bond Fd.	100.8	104.0	.....	7.09
*Sterling Mngd Assets Fd	533.1	561.0	.....	5.00
*Sub. day every Thurs.				
NatWest TrustCur Currency Fund (z)				
[illegible]	$38.0743		+0.0082	−
Sterling Class	£26.8425		+0.0051	−
D-Mark Class	DM89.2012		+0.0105	−
Dutch Guilder Class	Dfl62.6872		+0.0161	−
Japanese Yen Class	Y7048.6566		+0.6107	−
Ashburton Replica Portfolio Ltd				
Ashburton Replica Pfolio Ltd £	12.13	11.58	−0.06	−
Ashburton Replica Pfolio Ltd $	$10.21	10.60	−0.04	−
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 12	$35.22	37.45	.....	−
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.5971	3.8227	.....	−
[illegible]	[illegible]	[illegible]	.....	−
[illegible]	[illegible]	[illegible]	.....	−
Offshore Emerging Co.	$3.5854	3.8102	.....	−
Offshore European Fd.	$1.4262	1.5157	.....	−
Offshore Far Estn Fd.	$2.1993	2.3309	.....	−
Offshore UK Growth Fd.	$1.6955	1.8019	.....	−
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 20		91.24	.....	−
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund.	£14.42	14.64	.....	1.43
LFM Defensive Strtgy.	£11.23	11.85	.....	−
Royal Trust Intl Fd Mngt Ltd				

	Bid Price	Offer Price	+ or −	Yield Gross
Austro-Hungary Fund Ltd				
Lloyds Bank Fund Management (Guernsey) Ltd				
NAV Nov 19	$5.82		−	−
BEA Associates				
Sth America NAV Nov 19	$2.08		.....	
Mexico Lqd Assets Nov 23	$11.8025		.....	
Argentina Debt Fd Nov 24	$11.52		.....	
BEA/Mesoamerica Latin Am Debt	$11.94		.....	−
Brazilian Equities Ltd Oct 30	$82.83		.....	−

	Bid Price	Offer Price	+ or −	Yield Gross
Global Asset Management — Contd.				
On Yen	Y10207		+1	−
GAM Multi-Mngr-Altern.	$133.84		.....	−
GAM Multi-Mngr-Gen Eq	$138.11		.....	−
[illegible]	$150.58		.....	−
[illegible]	$123.07		.....	−
[illegible]	$101.21		.....	−
GAM Multi-Mngr Euro DM	DM95.24		−0.13	−
GAM Multi-Mngr Emr Mkts	$99.36		.....	−
GAM Multi-Mngr Neutral	102.85		.....	−

	Bid Price	Offer Price	+ or −	Yield Gross
Northfield International Ltd				
NAV Oct 31	$8.80		.....	−
Odey Asset Management Limited				
Odey European Inc.	DM112.71		.....	−
Old Ironsides International Ltd				
Old Ironsides Sep 30	$88.59		.....	−
Omega Overseas Partners Ltd				
[illegible]	$106.11		.....	−

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Easier day in the ERM

STRAINS in the European Exchange Rate Mechanism eased yesterday, as the French franc rallied against the D-Mark and overnight rates in Ireland came down to substantially lower levels, *writes James Blitz.*

However, dealers continued to question the future of the fixed exchange rate system, amidst growing convictions that the Irish punt will have to be devalued this weekend.

The relaxation in tensions was best reflected by the French franc's performance. Dealers had expected Tuesday's plunge through FFr3.40 to the D-Mark to be continued yesterday, but the franc rose to a close of FFr3.388 from a previous FFr3.403.

Overnight rates in Ireland also came down to around 30 per cent having been at 75 per cent the previous day, although this level is hardly comfortable for the incumbent Irish government.

After two days of acute tension in Europe, several factors combined yesterday to strengthen European currencies against the D-Mark.

Although the Bundesbank left the lower rate at which it deals in its money market unchanged at 8.75 per cent, the central bank added more liquidity than expected in its weekly repo. There was profit taking after the French franc's 2¼ centime fall in the few days of trading. The approach of the Thanksgiving Day holiday in the US was widely cited as a reason for less market activity.

How was yesterday's lull in tensions interpreted?

The most pessimistic view was that a new storm could brew soon. One dealer said that nobody should forget how September's run on the Italian lira was preceded by days on which the Bank of Italy was cutting rates and confidently selling its currency.

However, according to Mr Steve Hannah, head of research at IBJ International in London, the volume of selling of French francs in the September crisis was five times what the market has seen this week. And the seasonal timing of these strains leads dealers to think that, at worst, another crisis can be postponed till the New Year.

As one analyst put it: "Foreign exchange traders never hold open positions for long as the end of a year approaches. And far less reason if it is a year in which they have made vast profits."

Dealers believe that a devaluation of the Irish punt is still possible this weekend. According to Mr Mark Brett, an economist at BZW in London, the Irish punt should not, by rights, be a candidate for devaluation because of the economy's intrinsic strength.

But sterling's devaluation in September has made the country's exporters uncompetitive compared to its biggest trading partner. Mr Brett also points out that the currency remained below its ERM floor against the Belgian franc of BFr54.025 to the punt yesterday.

"Once a currency is in that position, only a flash of blinding light can save it," he said.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	174.948	-3.98	5.97	67
Spanish Peseta	143.386	141.428	-1.37	3.16	24
Belgian Franc	40.6304	40.4247	-0.51	2.27	28
Dutch Guilder	2.21958	2.20859	-0.50	2.26	28
D-Mark	1.96992	1.96335	-0.33	2.09	26
French Franc	6.60683	6.65564	0.74	1.01	-37
Danish Krone	7.51410	7.60027	1.15	0.60	-49
Irish Punt	0.735334	0.748235	1.75	0.00	-76

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5195 - 1.5290	1.5240 - 1.5250	0.55-0.53cpm	4.25	1.25-1.22pm	3.24
Canada	1.9495 - 1.9695	1.9580 - 1.9590	0.14-0.33cdis	-1.44	0.51-0.94dis	-1.48
Netherlands	2.7265 - 2.7375	2.7275 - 2.7375	0.30-0.39cdis	-1.52	1.00-1.15dis	-1.57
Belgium	49.70 - 50.25	49.70 - 49.80	4-7cdis	-1.33	13-20dis	-1.33
Denmark	9.3630 - 9.4740	9.3775 - 9.3875	7.24-20.29oredis	-17.61	13.46-27.28dis	-8.68
Ireland	0.9235 - 0.9295	0.9250 - 0.9260	5.20-2.25cpm	48.30	6.40-2.40pm	19.02
Germany	2.4250 - 2.4380	2.4275 - 2.4325	0.29-0.36pfdis	-1.60	0.95-1.06dis	-1.65
Portugal	215.50 - 217.40	215.50 - 216.50	N/A	N/A	N/A	N/A
Spain	174.65 - 176.25	174.70 - 175.00	108-136cdis	-8.34	325-399dis	-7.82
Italy	2098.10 - 2111.40	2102.50 - 2103.50	10-14liredis	-6.85	37-43dis	-7.61
Norway	9.7925 - 9.9860	9.7925 - 9.8025	N/A	N/A	N/A	N/A
France	8.2120 - 8.2700	8.2275 - 8.2375	2.50-3.07cdis	-4.06	6.86-8.09dis	-3.63
Sweden	10.1500 - 10.2350	10.2175 - 10.2275	0.39-0.56oredis	-0.56	1.05-1.38dis	-0.48
Japan	188.25 - 189.50	188.50 - 189.50	0.59-0.54ypm	3.59	1.60-1.54pm	3.32
Austria	17.02 - 17.11	17.04 - 17.07	1¼-2¼grodis	-1.36	4¾-7¼dis	-1.44
Switzerland	2.1745 - 2.1890	2.1750 - 2.1850	0.24-0.16cpm	1.10	0.40-0.27pm	0.61
Ecu	1.2345 - 1.2415	1.2365 - 1.2375	0.33-0.41cdis	-3.59	0.69-0.75dis	-2.33

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.21-2.16pm. 12 Month 3.60-3.50pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5195 - 1.5290	1.5240 - 1.5250	0.55-0.53cpm	4.25	1.25-1.22pm	3.24
Ireland†	1.6370 - 1.6500	1.6485 - 1.6495	8.50-4.00cpm	45.48	11.00-5.00pm	19.41
Canada	1.2795 - 1.2910	1.2825 - 1.2835	0.56-0.66cdis	-5.71	1.40-1.65dis	-4.75
Netherlands	1.7845 - 1.7995	1.7915 - 1.7925	0.85-0.88cdis	-5.79	2.14-2.20dis	-4.84
Belgium	32.60 - 32.90	32.60 - 32.70	14.85-15.85cdis	-5.62	36.00-39.00dis	-4.59
Denmark	6.1400 - 6.2075	6.1525 - 6.1575	10.00-13.00oredis	-22.42	20.00-23.00dis	-13.97
Germany	1.5855 - 1.5995	1.5935 - 1.5945	0.77-0.79pfdis	-5.87	1.95-1.98dis	-4.93
Portugal	141.25 - 141.85	141.25 - 141.35	275-475cdis	-31.85	600-900dis	-21.23
Spain	114.10 - 114.95	114.40 - 114.50	113-128cdis	-12.63	310-330dis	-11.18
Italy	1372.00 - 1384.25	1379.25 - 1379.75	12.50-14.00liredis	-11.53	36.00-39.00dis	-10.87
Norway	6.4150 - 6.5290	6.4250 - 6.4300	N/A	N/A	N/A	N/A
France	5.3740 - 5.4285	5.3975 - 5.4025	3.60-3.90cdis	-8.33	9.00-9.70dis	-6.93
Sweden	6.6995 - 6.7195	6.7025 - 6.7075	5.00-6.00oredis	-9.84	12.50-14.50dis	-8.05
Japan	120.30 - 121.95	123.85 - 123.95	0.06-0.07ydis	-0.63	0.03-0.03pm	0.10
Austria	11.1825 - 11.2410	11.2050 - 11.2100	5.15-5.55grodis	-5.73	12.80-13.90dis	-4.76
Switzerland	1.4290 - 1.4375	1.4300 - 1.4310	0.36-0.39cdis	-3.15	0.92-0.97dis	-2.64
Ecu	1.2260 - 1.2370	1.2305 - 1.2315	0.83-0.80cpm	7.94	2.08-2.03pm	6.68

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
108	2.10	-	-	-	0.30	-
109	1.13	2.40	3.11	0.02	0.49	-
110	0.20	1.71	-	0.12	0.82	-
111	0.02	1.14	-	0.90	1.20	-
112	-	0.70	-	-	-	-
Open int.	213,946	177,663	19,186	237,675	138,431	11,226

Estimated volume 41,332 † Total Open Interest 786,489
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bnk	7
Allied Trust Bank	7	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	7
● Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	7.5
Banco Bilbao Vizcaya	7	● Robert Fleming & Co.	7	● Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd	10
Bank of Ireland	7	● Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	● Smith & Williamson Secs	7
Bank of Scotland	7	● Hambros Bank	7	Standard Chartered	7
Banque Belge Ltd	7	Hampshire Trust Plc	13.5	TSB	7
Barclays Bank	7	Heritable & Gen Inv Bnk	7	Unibank plc	7
Brit Bk of Mid East	7	● Hill Samuel	7	● United Bk of Kuwait	8
● Brown Shipley	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Western Trust	7
Citibank NA	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
City Merchants Bank	7	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7				

● Members of British Merchant Banking & Securities Houses Association.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5245	1.5191	1.5121	1.5024	1.4890

MONEY MARKETS

Franc futures rebound

SHORT-DATED French franc futures rebounded sharply yesterday as the currency regained some of its recent losses against the D-Mark on the foreign exchanges, *writes James Blitz.*

After two days of growing strain inside the European Exchange Rate Mechanism, the D-Mark lost ground against European currencies yesterday and money market rates eased in France, Ireland and Denmark.

Profit-taking in the currency market was cited as one reason for the easing of interest rate tensions. Dealers also said that the Bundesbank's injection of a net DM10.9bn into the banking system in its weekly securities repurchase operation was more generous than had been expected.

Funds were mostly allocated at the established lower rate of 8.75 per cent. However, German call money remained constant at 8.75 per cent to 8.80 per cent because liquidity was needed to offset the loss of cash from tax payments this month, and from end-of-month pension payments.

The impact of yesterday's easing was mostly felt in French interest rate markets. The December franc contract rose 19 basis points to a high of 90.20. It later fell back to a close of 90.04, however, as the franc came under new pressure in US foreign exchange trading.

Rates in the French cash market were easier. Three month money closed at around 10¾ per cent from 11 per cent the previous day, while 1-month money closed at around 11¼ per cent from 12 per cent.

German futures reflected disappointment that there had not been a drop in the Bundesbank's repo rate. The December Euromark contract fell 9 basis points to a close of 91.33 yesterday, while the March contract was also down 9 basis points to a close of 92.42. At this level, it prices in nearly 130 basis points off 3-month money in the next four months.

Recent movements in futures markets reflect a belief that the currency turmoil is a short-term phenomenon. One trader noted yesterday that the March French franc contract closed virtually unchanged on its level last Wednesday, despite big fluctuations ion the December contract.

The sterling cash market remained extremely quiet. Three-month money was again unchanged at 7¼ per cent offered. The Bank of England forecast a shortage of £450m at the start of its operations. The December short sterling contract fell 6 basis points to close at 92.93.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.25) 3 months US dollars		6 months US Dollars	
bid 3½	offer 3⅝	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	3.09	Three year	5.25
Broker loan rate	5	Two month	2.94	Five year	6.12
Fed.funds	3	Three month	3.31	Seven year	6.49
Fed funds at intervention	-	Six month	3.55	10-year	6.84
		One year	3.74	30-year	7.53
		Two year	4.72		

Nov.25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.75-8.90	8.80-8.90	8.80-8.95	8.80-8.90	8.45-8.60	9.50
Paris	9¾-9¾	10½-11	-	10-10½	-	11.00
Zurich	6½-6¾	6⅝-6⅞	-	6¼-6½	-	-
Amsterdam	8.45-8.56	8.58-8.66	-	8.55-8.65	-	-
Tokyo	3⅞-3¾	3¾-3⅞	-	-	-	-
Milan	13½-13¾	14⅛-14⅜	-	14⅛-14⅞	-	-
Brussels	8¼-8⅜	8¼-8⅜	-	8⅛-8⅜	-	-
Dublin	35-40	22-27	17-20	15-18	13½-14½	-

LONDON MONEY RATES

Nov 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8½	7	7⅜	7⅛	7⅛	6¾
Interbank Bid	5	6¾	6⅞	7⅛	6⅞	6⅝
Sterling CDs	-	-	7⅛	7⅛	6⅞	6⅝
Local Authority Deps.	6¾	6¾	7	7⅛	6¾	6⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6¾	6¾	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7⅛	7⅛	6⅞	6⅝
Treasury Bills (Buy)	-	-	6¾	6⅞	6¾	-
Bank Bills (Buy)	-	-	6¾	6⅞	6⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.09	3.42	3.52	3.91
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.8,013 Set by DINMUTZ

ACROSS

1 Landseer's unusual painting? (8)
5 Moth so troublesome in flat (6)
9 An umpire in 17 down? Quite the opposite! (8)
10 Engine conks out approaching the French roundabout (6)
11 Earth-track of the corncrake (4-4)
12 More certain, on centre-court, he will hold all the interest (6)
14 Minced meat off? Remedy required! (10)
18 In the clinic, it gets up one's nose (10)
22 Optic, a device for a sherry-glass (6)
23 King visits a winter resort in Fair Isle, for example (8)
24 The boat-propeller is better (6)
25 Spoils delightful south? (8)
26 Not the practice of the Circle Line (6)
27 Furtive, like an habitue of The Eagle? (8)

DOWN

1 Bunthorne's Bride say, without it, is refined (6)
2 Notorious Scottish island taking first of tourists (6)
3 Depression in France? (6)
4 Cliff's weight (10)
6 Buttress provides capital support (6)
7 Journal's commentator? (8)
8 Mirth? Spring term includes it! (8)
13 Stop in nice resort on the north side of the Thames (10)
15 Such a screwball, to take two drugs. (8)
16 Jolly small sum to see one through, going by air (8)
17 Old soldiers fade away in Oxford, for example (8)
19 Falls for film-director? (6)
20 Appropriate to spring in cavern, allegedly (6)
21 Turkey on a plate, colourless and inferior (6)

Solution to Puzzle No.8,012

WORLD STOCK MARKETS

AUSTRIA

November 25	Sch	+ or −
Austrian Airlines	1,690	−9
Creditanstalt Pf	432	+1
EA General	2,969	−1
EVN	775	....
Jungbunzlauer	16,680	....
OeMV	652	−6
Perlmooser Zement	1,000	....
Radex Heraklith	376	−1
Reininghaus Brue	990	+24
Steyr Daimler	197	+5
Veitscher Magnesit	233	−1
Verbund (Br) A	401	....
Vienna Int Airport	444	+3
Wienerberger	3,000	+5
Z-Laenderbank	1,020	+5

BELGIUM/LUXEMBOURG

November 25	Frs.	+ or −
AG Group	2,110	....
Ackermans	2,690	+70
Almanij	6,340	−70
Arbed	1,925	....
BBL	3,030	....
Bank Intl a Lux	11,500	....
Banq Gen Lux Pts	13,050	+50
Banque Nat Belg	33,500	+1,500
Bekaert	11,950	−225
CBR Ciment	7,800	−40
CMB	1,580	....
Cobepa	4,325	−25
Cockerill Priv	106	−2
Colruyt	5,070	+110
Delhaize Frs Lion	1,478	+6
Electrabel	5,470	+10
Electrabel AFV1	5,330	+10
Electrafina ACT	2,230	+10

FRANCE (continued)

November 25	Frs.	+ or −
Cap Gemini S	168.70	+5.90
Carnaudmetalbox	182.50	+0.30
Carrefour	2,460	+35
Casino	141	−1.50
Chargeurs	1,215	−5
Club Mediterranee	339	−16.50
Cogifi	303.50	....
Coparex Int	589	+2
C C F	199.30	−0.40
Cr Fonc France	910	−7
Cred Lyon (CI)	384.90	+2.40
Credit National	1,095	−12
Damart	3,060	−90
Docks de France	400	−5
Dollfus Mieg Cie	270	....
EBF	765	−5
Eaux Cie Genl	1,903	−13
Ecco	363	−5
Elf Aquitaine	321.60	−1.90
Elf Aquitaine Certs	230	−1
Elf Sanofi	1,045	−29
Eridania B-Say	562	−13
Eridania B-Say CI	[illegible]	....
Essilor Int	382	+2
Etex	1,685	−55
Eurafrance	1,210	−19
Euro RSCG	459	+9
Euro Disney	61.75	−1.75
Fin Pollet	396	+6
Finextel	104.50	+1.40
Fonc Lyonnaise	595	....
From C et Auv	3,285	+33
GTM-Entrepose	302.50	−0.50
Gal. Lafayette	1,840	....
Gaumont (Soc N)	327.40	−2.60
Geophysique	594	−5
Hachette	85	−10 40

CANADA

TORONTO

3:15 pm November 25

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO	Nov 24	Nov 23	Nov 20	Nov 19	1992 HIGH	1992 LOW
Metals & Minerals	2579.06	2570.58	2572.54	2541.96	3238.87 (16/1)	2527.91 (17/11)
Composite	3259.30	3258.30	3263.90	3233.73	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1734.44	1732.37	1733.82	1711.49	1937.59 (16/1)	1663.16 (14/10)

Base values of all Indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Nov 25	Nov 24	Nov 23	Nov 20
THAILAND				
Bangkok SET (30/4/75)	847.33	859.43	875 07	871.7
WORLD				
M.S. Capital Intl.(1/1/70) (9)	489.4*	486.4	484.9	487.
Euro Top-100 (26/6/90)	846.25	845.30	843.54	849.7

**Saturday November 21: Taiwan Weighted Price: 3,711.71, Korea C...

Base values of all indices are 100 except: Austria Traded, BEL20, HEX ... Overall and DAX − 1,000, JSE Gold − 255.7, JSE 26 Industrials − 264.3 ... (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, November 25, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Chemical	3.9m	958	+8	Mitsui Mtil & Smi	2.0m	482	+2
Gajeon Kanko	3.0m	160	+33	C Itoh	1.9m	449	+12
Mitsubishi Heavy	2.8m	534	+4	Toshiba Corp	1.9m	609	+1
SS Pharm	2.5m	1,200	−40	Nippon Steel	1.4m	283	+4
Daiwa House Ind	2.0m	1,440	+60	NKK	1.8m	248	+4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:30 pm November 25

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	11	AAR Corp	0.48	4.1	19	113	11⅝	11⅝	11⅝	+⅛
28½	18	A L Labs A	0.18	0.8	136	1131	21⅞	21⅝	21¾	+¼
68¼	52⅝	AMP Inc	1.52	2.6	21	1827	57½	57⅛	57½	+¼
80¼	54⅝	AMR				124653	63⅜	62¼	63¼	+½
2⅛	1⅜	ARX			10	83	1⅜	1⅜	1⅝	−⅛
53½	30⅝	ASA x	2.00	6.5	20	254	30⅝	d30½	30⅝	−¼
34¼	26⅛	Abbott Lab	0.60	1.9	22	3190	31⅝	31⅛	31¼	
13⅞	10⅞	Abitibi Pr	0.40	3.7	8	20	10⅝	10¼	10¼	+¼
11⅝	10¼	ACM Gvt In	1.01	9.3		349	11	10¾	10⅞	
10⅛	9⅜	ACM GvOpp	0.87	9.3		11	9½	9⅜	9⅜	−⅛
9⅜	8½	ACM Gvt Sp	0.79	8.9		386	9	8⅞	8⅞	
11⅛	10⅛	ACM Gvt Sc x	1.01	9.6		180	10¾	10½	10⅝	−⅛
10⅝	8⅝	ACM Man	1.00	9.9		98	10⅛	10	10⅛	+⅛
12⅞	9	ACM Managd	1.09	11.8		159	9⅜	9⅛	9¼	+⅛
11⅞	4¼	Acme Cleve	0.40	4.6	16	116	9	8⅝	8⅞	+⅛
6¼	3¾	Acme Elect			100	55	5	4⅞	5	
33¼	14⅞	Acuson			13	1701	18	17⅛	18	+⅝
21	18⅛	Adams Expr	1.62	8.4	0	59	19⅛	19⅛	19¼	
49⅛	29½	Ad Micro x	3.00	6.9		289	44⅛	43⅞	43⅞	−1
21½	7½	Ad Micro P	3.00	17.0		57075	18	17	17⅝	−¼
9⅛	4⅞	Advest Grp	0.16	2.7	12	2	6	6	6⅞	
42¼	33	Aegon ADR	1.35	3.3	7	37	41	40⅝	40⅞	
47	38	Aetna Lf	2.76	6.3	12	3628	44⅛	43⅞	44	+1⅛
12¾	6⅛	Ahli A	0.24	2.1	16	1294	11⅞	11½	11½	−⅛
34	24	Aflac	0.44	1.4	14	3346	30½	30	30½	+⅛
19⅜	13	Ahmanson	0.88	5.5	7	3650	16⅞	15⅞	15⅞	+⅛

Global connections

We are represented in over 60 countries world-wide by our subsidiary Klöckner & Co alone.

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅞	7	SantaFeERs	0.16	2.0	800	685	8¼	8	8	-⅛
38¾	30¾	SantaFePac	2.80	7.5	13	9	37⅛	37	37⅛	+⅛
14⅛	10⅞	SantaFeSth	0.10	0.7	333	924	13⅝	13⅜	13½	-⅛
61	9⅔	Sara Lee	1.16	1.9	23	1954	60⅞	60¼	60⅞	+¼
9½	1¼	Savin			0	4	1⅝	1½	1½	
44¾	38⅞	Scana Corp	2.68	6.6	13	1210	40⅝	40⅛	40⅛	-¼
47⅞	40¼	Scecorp	2.80	6.5	13	987	43⅝	43⅜	43⅜	
34⅛	22¼	SchererRP			100	482	33⅛	32¾	33	+⅜
68	49⅞	ScheringPl	1.66	2.3	18	2857	67½	66⅞	66¼	-½
70⅝	52¾	Sch'berger	1.20	2.0	17	2548	61¼	60⅛	60⅛	-½
37¾	16⅞	Schwab(C)	0.24	1.0	13	586	24⅛	23¾	24⅛	+1
10⅞	4½	Schwitzer			54	28	6	6	6	-⅛
38⅞	15¼	ScientAtln x	0.16	0.5	41	534	36⅝	36½	36⅝	+⅜
10⅝	7⅛	Scotman	0.10	1.1	76	102	9⅛	9	9⅛	+¼
46	34½	ScottPaper x	0.80	2.2	75	781	37	36½	36⅞	+⅜
17½	13½	ScuddrNAsF	0.22	1.6		73	15	14¾	14⅞	
9¾	7⅞	ScuddrNEuF	0.30	3.8		478	8	d7¾	7⅞	
24	13	Sea Contrs	0.45	2.7	10	80	17¼	16¾	16⅞	
15¾	14⅞	SeaC1 4825 x	1.46	9.7		6	15⅛	15	15	-⅛
31	25⅛	Seagram Co	0.56	2.2	18	837	26	25⅞	25¾	+⅛
33¾	21⅝	Seagull En			87	480	32½	32¼	32⅜	-⅜
28½	20½	Sealed Air			22	16	23⅝	23¼	23¼	
23	12⅛	SPX Corp x	0.40	2.2	13	437	18¼	18	18⅛	+⅛
48	37	Sears Roeb x	2.00	4.7	37	3568	42⅞	42½	42⅞	+¼
13¼	11⅞	Seligm Sel	0.84	6.9		161	12⅛	12⅛	12⅛	-⅛
32	22½	Sensormat	0.30	0.9	27	1287	u32	31½	31⅞	+⅜
61	33¾	Sequa A	0.60	1.8	27	31	36⅞	36⅛	36½	-¼
58	38	Sequa B	0.50	1.2	21	34	40½	39⅞	40½	+1¼
18¾	15¾	ServiceCpI	0.40	2.3	16	1923	17⅜	17⅛	17⅜	+⅛
28⅞	22	Servicemr	1.19	4.2	11	202	28¼	27⅞	28	
28⅞	17	Shaw Ind	0.30	1.1	25	769	28⅜	28	28⅛	+⅛
19¼	8⅞	Sherwd Nt	1.00	5.9	26	4289	17¼	16¾	17	+⅜

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
56	50½	Xerox4.125				z100	u56	55	54	-1
35	24⅞	Xtra 1.94	1.94	5.0		44	u38⅞	37½	38½	+⅜
52¼	28½	Xtra Corp	0.80	1.5	16	447	u54	52⅛	54	+1¾
30⅛	25¼	Yankee Egy	1.68	6.1	12	60	27¼	27	27¼	-¼
1⅝	⅛	Zapata			25	409	1	⅞	1	+⅛
11⅛	6	ZenithElec			2	807	6¼	6	6¼	+⅜
19½	14½	Zenith Nat	1.00	6.1	8	16	16⅝	16½	16½	-⅛
7½	6	Zenix Inc x	0.83	12.5		142	6⅝	6½	6⅝	+⅛
13⅞	10	Zero Corp	0.40	3.0	20	118	13⅜	13¼	13¼	+⅛
38	27¾	Zurn Ind	0.88	2.4	41	37	37	36⅞	36⅞	
14⅛	12	Zweig Fund	1.12	8.7		83	13	12⅞	12⅞	
11	9½	Zweig Totl	0.96	9.6		315	10	9⅞	10	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm November 25

NASDAQ NATIONAL MARKET

3:30 pm November 25

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		23	4567	22	20¾	21⅛	-½
Xoma Corp		4	1123	10	9½	9¾	
Yellow Fr	0.94	21	1345	28	27⅜	27⅞	+⅛
York Rsch		7	700	7	6⅝	7	+¼
ZionsUtah	1.44	12	134	u75	72¼	74	+1⅞

AMERICA

Second-liners reach another record high

Wall Street

US share prices continued to build on recent gains in the wake of more economic good news, with secondary stocks setting a new record high for the second consecutive day, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 18.65 at 3,267.35. Although the Dow is still more than 150 points short of its all-time peak, the Nasdaq composite rose 1.15 to 647.09, another record for the index. The broadly based Standard & Poor's 500 climbed 1.40 to 428.99, and the American composite index put on 1.40 at 392.93. Turnover on the NYSE was 131m shares by 1 pm, once again remarkably heavy for what is normally one of the quietest weeks of the year. The market is closed today for Thanksgiving. Advances led declines by 947 to 708.

Stocks surged on Tuesday on unexpectedly good economic news, which prompted hopes that the economic recovery, having been disappointingly weak for more than a year, is finally picking up. Yesterday's statistics on the economy did nothing to dispel that notion.

The most bullish news came from the Commerce Department, which reported that Gross Domestic Product – the best measure of economic growth – rose by 3.9 per cent in the third quarter of this year, and not by 2.7 per cent as originally estimated last month. The figures surprised analysts, who had been expecting only a modest upward revision of the GDP number.

The day's other good news included a big 9.1 per cent increase in October existing home sales, and the 12,000 drop in the number of people claiming state unemployment insurance during the second week of this month. This combined with traditional pre-Thanksgiving Day buying, and share prices advanced across all fronts.

Among individual stocks, blue-chips and cyclicals continued to benefit from strong demand. International Paper climbed $1 to $63⅝, General Electric added $½ at $83⅝, IBM firmed $⅜ at $65¼, and Westinghouse, which has fluctuated up and down recently following the announcement of a major restructuring, rose $1¼ to $12¼, aided by a ratings upgrade from the broking house, PaineWebber.

Berlitz International soared $3¾ to $21 on news of an amended merger pact with Fukutake Publishing of Japan which has reduced the cash consideration to stockholders from $21.62 a share to $19.50.

Gap Stores fell $1⅛ to $36⅛ in turnover of 1.3m shares after the broking house, Goldman Sachs, removed the stock from its recommended list.

Fedders dropped $⅝ to $5⅞ in busy trading after the equipment manufacturing company announced a fourth-quarter loss of 97 cents a share, larger than the 76 cents a share loss recorded a year ago.

The toymaker, Mattel, rose $¼ to $26¼ on good news about the sales of its highly popular Barbie doll.

Canada

TORONTO stocks were slightly firmer at 1 pm, as the TSE 300 Composite index added 1.57 to 3,260.82 in volume of 18.23m shares. Investors continued to focus on Tuesday's sharp rise in Canadian prime rates.

Among active stocks, PWA Corp was 14 cents lower at C$1.01.

SOUTH AFRICA

OFFSHORE demand for gold shares sent the gold index up by 25 to 798 despite a lacklustre bullion price and a firmer financial rand. The all-share index added 15 to 3,073, while the industrial index dropped 21 to 4,055.

EUROPE

Devaluation keeps attention on Nordic bourses

NORDIC bourses continued to attract attention following Sweden's currency devaluation and on hopes that Norway would follow suit, *writes Our Markets Staff.*

STOCKHOLM resumed its upward trend after Tuesday's brief pause as lower credit market yields gave extra impetus to the market. Export-oriented heavy engineering groups, Astra and Ericsson were all in demand. The Affärsvärlden general index rose 24.7 or 2.9 per cent to 866.0 in brisk turnover of SKr1.37bn after SKr916m.

Ericsson B shares jumped SKr9 to 181 in heavy turnover of SKr266m and Astra A advanced by SKr23 to SKr726.

OSLO climbed 2.3 per cent on continued devaluation speculation, the all-share index closing 8.04 higher at 354.72 in moderate turnover of NKr386m.

Industrial and shipping companies, which would benefit most from a weaker crown boosting their exports, made biggest gains and Norsk Hydro put on NKr3.5 to NKr139.5.

HELSINKI rose 5 per cent after the government and trade unions reached an agreement on a dispute over plans to cut jobless benefits and avoided a strike which would have started today. The Hex index *closed 40.3 higher at 850.4,* banks and finance houses rising by 10.4 per cent.

FRANKFURT barely maintained the improved tone of Tuesday's post-bourse during which Volkswagen made a minor recovery, and the stock closed DM2.50 higher at DM271 yesterday. The DAX index climbed 7.44 to 1,517.72 as turnover eased from DM4.6bn to DM4.5bn.

Sentiment sank on further consideration of third quarter reports, including VW's, and news that the Bundesbank was keeping its repo rate unchanged at 8.75 per cent weighed further on failing interest rate hopes, described as wishful thinking from abroad.

Among other blue chips, Siemens climbed DM7.40 to DM589.50, supported by the view that its profits will remain fairly steady in 1993, in contrast to Germany industry as a whole. Utilities, a conventional defensive sector, were also strong, as Viag gained DM6.70 to DM338.30 and RWE DM5 to DM404.

Steels were weak, and Thyssen dropped another DM3.80 to DM154.90 as expectations of strong results for 1991-92 today continued to recede.

PARIS survived an invasion by firecracker-throwing farmers and trading was dominated by the futures market, which caused the CAC-40 index to jump more than 10 points in the final minutes. The index closed 0.36 higher at 1,730.97 compared with a low for the day of 1,705.71. Turnover fell back to FFr1.85bn.

Eridania-Béghin-Say fell FFr13 to FFr562 in heavy volume of 70,250 shares as some players took the view that the recent Gatt accord between the EC and the US would lead to lower sugar prices.

Trading in Hachette and Matra resumed after a two-day suspension following the publication of revised merger terms. Hachette dropped FFr10.40 or 10.9 per cent to FFr85 and Matra dropped FFr10.70 or 5.5 per cent to FFr184.

Television stocks featured, with the pay television group, Canal Plus, adding FFr35 to FFr1,045.

DUBLIN marked the Irish election by extending its climb from its 1992 lows, the ISEQ overall index closing 37.04 or 3.2 per cent higher at 1,193.90 for a four-day gain of 8.6 per cent.

Dealers said that the stock market was in the first phase of a rally on the expectation of a 10 per cent devaluation in the punt, bringing the Irish currency back into line with sterling. Buying was mainly by domestic institutions, and could be expected to enter a second phase when the currency realignment, expected within the next few days, takes place.

MADRID closed moderately higher, boosted by strong gains in Telefonica which closed Pta30 higher at Pta1,125. The general index closed 1.72 higher at 211.94 in turnover of Pta19.6bn, bloated by a Pta6bn put-through in the small security company, Prosegur, at Pta1,755 a share.

MILAN ended flat after an uneventful trading session. The Comit index rose 0.35 to 446.80 in turnover estimated at less than Tuesday's L270bn.

Sme remained in the limelight, the shares rising L192 to 3.6 per cent to L5,553 and hitting L5,590 later in the session.

Among leading stocks, Fiat was fixed L11 higher at L4,461 but slipped to L4,385 after hours while Mediobanca closed L45 down at L13,520.

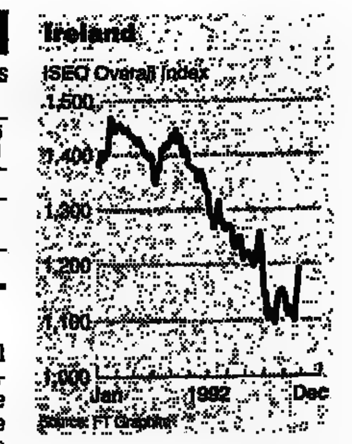
ZURICH liked the positive start on Wall Street, and the SMI index closed 6.5 up at 1,886.7. Brown Boveri bearers closed SFr10 firmer at SFr3,310 after an interim report.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

November 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1044.03	1045.92	1046.38	1045.84	1044.28	1043.12	1043.53	1042.55
FT-SE Eurotrack 200	1113.74	1114.39	1114.13	1115.09	1112.99	1111.58	1111.81	1111.41

	Nov 24	Nov 23	Nov 20	Nov 19	Nov 18
FT-SE Eurotrack 100	1038.83	1038.38	1051.29	1047.93	1051.36
FT-SE Eurotrack 200	1110.69	1110.18	1117.40	1110.76	1108.59

Base value 1000 (26/10/90) High/day: 100 - 1046.92; 200 - 1116.72 Low/day: 100 - 1042.50 200 - 1109.37



ASIA PACIFIC

Nikkei average extends winning streak to fifth day

Tokyo

REMARKS by Mr Kiichi Miyazawa, the prime minister, that the government could undertake further public works projects for fiscal 1993 sent the Nikkei average higher for the fifth consecutive trading day, the longest winning streak since October last year, *writes Emiko Terazono in Tokyo.*

The Nikkei rose 205.92 to 17,302.01. After a day's low of 17,025.98 in the morning on arbitrage selling, buying by public funds and institutional investors lifted the index to a high of 17,303.01 in the afternoon.

Volume was little changed at 200m shares against 194m. Advances led declines by 666 to 321 with 153 unchanged. The Topix index of all first section stocks rose 12.25 to 1,294.14 and the ISE/Nikkei 50 index fell 1.95 to 1,041.38.

Public funds and domestic institutional investors were seen buying actively. Traders said that some investors had bought on the assumption that the active trading by public funds was prompted by financial authorities.

Banks were higher on buying by public funds. Industrial Bank of Japan rose Y10 to Y2,420 and Mitsubishi Bank gained Y50 to Y2,260. Banks had been weak on fears that US-based hedge funds were looking to sell the shares short. Ms Kathy Matsui, strategist at Barclays de Zoete Wedd, said thatforeign hedge fund traders were moving away from the Tokyo market due to the recent lack of volatility in share prices.

Dealers traded Aids-related shares actively. Hitachi Chemical, the most active issue of the day, rose Y6 to Y956. However, SS Pharmaceutical fell Y40 to Y1,200 on profit-taking.

Gajoen Kanko, the hotel operator, was the largest gainer of the day and jumped Y33 to Y180. Traders said the rise was technical since the share had been heavily sold after the company's auditor accused the company of window-dressing its interim earnings. The company amended its earnings report last week.

NEC recovered Y16 to Y650 on buying by public funds. However, other leading electricals were weak on profit-taking, with Hitachi down Y1 to Y703 and Fujitsu retreating Y8 to Y527.

Nomura Securities fell Y10 to Y1,420 on reports of credit downgrades by Moody's, the credit rating agency. However, Nikko Securities remained unchanged at Y640 and Daiwa Securities gained Y1 to Y840.

In Osaka, the OSE average gained 105.39 to 18,481.46 in volume of 20m shares. Nintendo, the video game maker, rose Y300 to Y10,500.

Roundup

AUSTRALIA and New Zealand continued their recent run against a background of mixed performance elsewhere.

AUSTRALIA was pulled off the day's high on profit-taking in the afternoon. After climbing to a high of 1,463.8, the All Ordinaries index fell back to close 9.1 higher at 1,459.2 in turnover of A$291m.

Westpac closed 8 cents higher at A$2.98 amid ongoing speculation that a mystery buyer is attempting to purchase a large stake.

Coles Myer fell 9 cents to A$4.52 after it adjourned its annual meeting on Tuesday, pending clarification of the group's accounts.

NEW ZEALAND finished a bullish session fractionally short of the day's high as the NZSE-40 index rose 25.59 or 1.7 per cent to end at 1,499.64 in high turnover of NZ$57m.

BANGKOK closed broadly lower in low volume as a Bt10bn rescue fund pooled by brokers failed to start support buying. The SET Index lost 12.10 or 1.4 per cent to 847.33 in low turnover of Bt3.4bn. Bangkok Bank fell Bt1 to Bt91, Thai Farmers Bank Bt8 to Bt668 and Bangkok Land Bt3 to Bt100.

HONG KONG ended lower in volatile but light trading. The Hang Seng index broke above the 6,000 level in the morning but fell back later to close 53.98 lower at 5,918.54. Turnover fell to HK$2.46bn from HK$2.52bn.

SINGAPORE ended mixed with Malaysian speculative shares accounting for much of the day's trading. The Straits Times Industrial index closed 0.45 higher at 1,419.79 in volume of 129.3m shares, up from 93.5m.

SEOUL slid in lethargic trade mainly due to a persistent sell-off in Kepco, the market's most heavily weighted issue. News that South Korean GNP rose by a real 3.1 per cent in the third quarter, the lowest in 11 years, also put pressure on the market. The composite index shed 2.58 to 652.47 in turnover of Won460.45bn after Won755.99bn.

Kepco lost Won600 to Won22,800 as foreigners showed only modest buying interest after the government's decision on Tuesday to allow direct but limited foreign investment in the company.

TAIWAN was pulled down by late profit-taking and the weighted index closed 13.71 lower at 3,673.51. Turnover was little changed at T$6.58bn against T$6.5bn.

Hualon preferred stock lost T$2 to T$74.50 on news that Taiwan's central bank had begun reviewing loans extended by banks to the Hualon group.

ERM influences volume in October

Equity turnover jumped in Italy and Spain, says William Cochrane

October saw a decline in hard-currency markets as a home for equity investment funds in Europe. Equity market turnover figures also demonstrate the appeal of markets linked with devaluation prospects, after the partial collapse of the European Exchange Rate Mechanism (ERM) in September.

After a 37 per cent gain in September, turnover at Europe's top eight bourses eased back by 5.7 per cent last in October, says Mr James Cornish at County NatWest Securities, which produces the turnover figures.

There were big variations at national level. In Italy, a stiff budget following the lira's devaluation in mid-September and the government's determination to make its financial legislation effective was the key to the equity turnover revival which took it up by 58 per cent on the month, and nearly trebled the figure from a depressed base in August.

The view that the Italian prime minister, Mr Giuliano Amato, is doing a good job and speculation regarding the country's privatisation plans also lifted turnover. With the government giving up control of major companies and reorganisation prospects in the Italian economy, the thought is that Italian minority shareholders could benefit for once as the companies concerned lose their takeover-proof status.

Spain has now devalued twice over two months. The process left it with a sharp drop in equity values in September and a meagre recovery in October. However, a 3 per cent rise in the Madrid general index has been outdistanced by a 19 per cent gain in equity market turnover – taking activity to more than double the level of two months earlier.

There seems to have been little short-term reward for good fiscal and economic stewardship in the other European equity markets. The French, Swiss and Dutch economies *have paid for their hard currencies* with high interest rates, an effective revaluation against their trading partners and the obvious consequences for corporate earnings.

In September, while there may have been some inward investment, international equity business in France, Switzerland and the Netherlands involved divestment out of markets lifted by currency appreciation.

In October, French equity turnover fell by 19.5 per cent; *the traditional safe havens,* the Netherlands and Switzerland, by 2.8 and 12.1 per cent respectively; and Germany by 9.5 per cent after a miserly pick-up a month before.

Last month, the efforts which the hard-currency countries had made to stay in line with the D-Mark were overshadowed by the recovery in the dollar. This left them less attractive as a target or as a home for overseas investment; and Germany was about to sustain the shock of its corporate *performance figures* in the fourth quarter of 1992.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jul 1992	Aug 1992	Sep 1992	Oct 1992	US $bn
Belgium	34.76	41.35	42.76	47.56	1.64
France	100.18	64.52	134.26	108.06	22.55
Germany	121.51	101.72	109.19	98.85	65.95
Italy	11,975.60	6,039.60	10,808.00	17,112.00	14.17
Netherlands	13.10	9.80	14.41	14.00	8.81
Spain	535.64	317.47	578.78	687.70	5.85
Switzerland	10.69	9.01	13.40	11.78	9.33
UK	34.33	28.68	45.30	39.76	67.81

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 24 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 23 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (68)	115.95	+0.5	113.21	90.96	96.51	112.79	+0.5	4.23	115.32	112.59	90.50	96.05	112.25	153.58	105.16	152.99
Austria (19)	138.74	−1.2	135.46	108.84	115.48	115.13	−1.6	2.45	140.46	137.14	110.24	116.99	116.97	186.70	138.51	173.06
Belgium (42)	134.89	−0.1	131.70	105.81	113.28	109.61	−0.1	5.62	135.05	131.85	105.97	112.48	109.74	152.27	134.41	135.66
Canada (113)	111.84	−0.3	109.20	87.73	93.09	104.31	+0.0	3.33	112.13	109.48	87.99	93.38	104.29	142.12	111.36	127.26
Denmark (34)	181.70	−2.4	177.41	142.54	151.24	154.33	−2.0	1.77	186.14	181.74	146.08	155.03	157.41	273.94	181.70	258.55
Finland (15)	67.17	+3.1	65.58	52.69	55.91	72.24	+3.3	1.95	65.12	63.58	51.11	54.24	69.91	89.80	52.84	78.54
France (99)	140.46	+2.6	137.14	110.18	116.90	119.97	+2.7	3.76	136.93	133.69	107.46	114.03	116.79	168.75	136.93	144.02
Germany (64)	103.31	−1.2	100.87	81.06	85.99	85.99	−1.2	2.67	104.52	102.05	82.03	87.05	87.05	129.89	102.51	115.14
Hong Kong (53)	242.33	+1.8	236.60	190.09	201.71	240.71	+1.8	3.74	238.01	232.38	186.78	198.24	236.43	262.28	176.36	173.63
Ireland (16)	128.02	−0.4	124.99	100.43	106.56	110.50	−0.1	4.96	128.57	125.53	100.90	107.08	110.57	173.71	122.98	162.45
Italy (77)	56.87	−3.1	55.52	44.61	47.33	59.01	−3.1	3.52	58.72	57.33	46.06	48.90	60.89	80.86	47.47	72.67
Japan (472)	103.59	+0.4	101.14	81.26	86.23	81.26	+0.3	1.04	103.19	100.75	80.98	85.95	80.98	140.95	87.27	135.23
Malaysia (69)	276.28	−0.4	269.75	216.72	229.96	268.78	−0.3	2.45	277.38	270.82	217.67	231.02	269.64	282.42	212.40	206.45
Mexico (18)	1567.72	+3.0	1530.65	1229.81	1304.90	5344.45	+3.2	1.12	1521.77	1485.79	1194.25	1267.45	5179.50	1789.77	1185.84	1313.45
Netherland (25)	148.81	+0.1	145.29	116.74	123.87	122.36	+0.0	4.65	148.70	145.19	116.70	123.85	122.34	169.70	147.88	147.43
New Zealand (13)	40.34	+1.1	39.39	31.65	33.58	41.58	+1.3	5.47	39.92	38.97	31.33	33.25	41.05	48.52	37.39	40.10
Norway (22)	132.98	−1.5	129.84	104.32	110.69	118.68	−0.7	2.04	134.99	131.80	106.94	112.44	119.46	192.95	129.05	174.80
Singapore (38)	194.53	−0.3	189.93	152.60	161.91	148.52	−0.3	2.25	195.10	190.49	153.11	162.49	147.00	229.63	179.65	207.58
South Africa (60)	134.21	+0.0	131.03	105.28	111.70	147.04	+0.5	3.49	134.27	131.10	105.37	111.83	146.37	263.60	134.21	271.68
Spain (48)	113.32	+0.0	110.64	88.90	94.32	99.24	−0.5	6.05	113.29	110.60	88.90	94.34	99.76	161.72	107.10	148.05
Sweden (31)	163.05	−0.9	159.10	127.91	135.72	162.56	−0.7	2.41	164.52	160.63	129.11	137.03	163.73	200.28	149.89	171.61
Switzerland (60)	103.32	−0.5	100.88	81.06	86.01	91.99	−0.7	2.32	103.86	101.40	81.51	86.51	92.65	122.37	95.99	97.24
United Kingdom (227)	164.58	+0.1	160.69	129.09	136.98	160.69	+0.1	4.57	164.38	160.49	128.99	136.90	160.49	200.07	161.86	177.74
USA (522)	174.83	+0.6	170.69	137.15	145.03	174.83	+0.6	2.91	173.80	169.69	136.40	144.76	173.80	174.83	160.92	153.71
Europe (779)	131.31	+0.0	128.20	103.01	109.30	119.19	−0.1	3.95	131.36	128.25	103.09	109.41	119.28	156.88	131.31	142.20
Nordic (102)	*145.42*	*−1.3*	*141.98*	*114.07*	*121.04*	*131.61*	*−1.0*	*2.19*	*147.33*	*143.84*	*115.62*	*122.71*	*132.93*	*188.52*	*141.24*	*176.77*
Pacific Basin (713)	106.62	+0.5	105.95	85.13	90.33	86.92	+0.4	1.38	106.03	105.48	84.78	89.98	86.56	141.97	93.70	136.50
Euro – Pacific (1492)	117.74	+0.2	114.95	92.35	97.99	99.91	+0.2	2.54	117.47	114.69	92.18	97.83	99.70	145.21	113.80	139.11
North America (635)	170.93	+0.6	166.89	134.10	142.20	170.05	+0.6	2.93	169.86	165.86	133.41	141.80	169.09	170.93	166.70	152.62
Europe Ex. UK (552)	111.33	−0.2	108.70	87.35	92.69	98.71	−0.2	3.50	111.51	108.87	87.52	92.89	96.88	132.98	111.33	120.64
Pacific Ex. Japan (241)	156.95	+0.9	153.24	123.14	130.65	144.80	+0.9	5.84	155.61	151.93	122.14	129.62	143.57	176.31	149.00	149.05
World Ex. US (1683)	118.61	+0.2	115.80	93.05	98.73	101.85	+0.2	2.56	118.32	116.52	92.86	98.55	101.61	146.91	115.89	141.19
World Ex. UK (1978)	132.98	+0.4	130.81	105.11	111.53	120.67	+0.4	2.50	133.42	130.26	104.71	111.13	120.17	150.58	127.21	141.18
World Ex. So. Af. (2145)	136.75	+0.4	133.54	107.31	113.05	123.96	+0.4	2.71	136.24	133.02	106.93	113.48	123.48	153.05	130.04	143.80
World Ex. Japan (1733)	155.38	+0.4	151.70	121.90	129.35	149.23	+0.4	3.29	154.77	151.11	121.47	128.93	148.64	165.40	151.93	150.58
The World Index (2205)	136.64	+0.4	133.41	107.19	113.74	124.22	+0.4	2.71	136.11	132.89	106.82	113.37	123.74	153.70	130.66	144.36

Latest prices were unavailable for this edition.

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ECONOMICS • FINANCE • INDUSTRY • TRADE • MANAGEMENT

The FT Review of Business Books

SECTION THREE WINTER 1992

The bottom line: how Reuters made the news

Ian Hargreaves on the remarkable history of an institution and its visionary founder

THE POWER OF NEWS: THE HISTORY OF REUTERS
by Donald Read
Oxford University Press, £20, 432 pages

ANYONE WHO knows Reuters a little will be aware of two things: its obsession with speed and accuracy and the sometimes melodramatic schisms between its general newsgathering and commercial news arms.

It is pleasant, therefore, to have this history confirm that it was more or less so from the beginning. By the time that Julius Reuter, third son of the chief rabbi of Cassel, launched his first news service in Paris in 1849, he already had behind him several years' experience in his uncle's bank in Gottingen.

No doubt it was the revolutionary atmosphere of Paris in 1848 that excited Reuter's imagination and led him into a formative alliance with Sigismund Englander, an anarchist, freelance diplomat and scribbler. But from the very beginning, the news sheet which Reuter sent from Paris to Germany was crammed with Paris Bourse prices, as well as gossip and accounts of proceedings in the national assembly. The connection between financial and political information has informed the Reuters business ever since.

Donald Read says his main theme in this book, which is to be followed by two more detailed volumes covering the same story, is "the working (or otherwise) of the Reuter news tradition." How did it begin? How free is it from bias?

Fortunately, he does not leave out, although he treats less fully and less thoughtfully, what some will think the more interesting story: how did a German-founded telegraphic news agency turn into a central communications corridor of the British Empire, before surviving the stagnation and brawling of post-war Fleet Street to emerge as a leading provider of electronic information to the financial markets ?

Although an official history, the book does not hesitate to challenge Reuter's heavy reliance through most of its history on funding and favours from the British government.

But Reuter's early success, after a series of false starts on the continent, was very much in the sphere of economic news. Shortly after the opening of the cross-Channel telegraph cable, he established himself in the City, selling information on continental markets to the London stock exchange and sending telegraphic messages for his London customers.

He established a continental network of information channels, using telegraph, mail, steamship and pigeon and developed an ambitious series of alliances with other information agencies across the world, securing cartels whenever he could.

At first, he was excluded from selling information to newspapers by the haughtiness of *The Times*, but the proliferation of newspapers which followed the repeal of newspaper stamp duty in 1855 created the conditions for Reuter to prosper.

Until his retirement in 1878, Julius Reuter applied to his business his gifts of vision, organisation, determination and salesmanship. He was also constantly alert to new technology, making early use of wireless, for example. The flamboyant Englander was by this time chief of the London editorial bureau, from which position he was still insisting to Julius Reuter's successor in 1886 that Reuter journalists must be *hommes politiques* rather than mere reporters.

At the height of the British Empire, this Reuter-Englander blend of shrewd efficiency and wordliness was a potent, profitable mix. Queen Victoria read her Reuter telegrams, vouchsafing to Disraeli that Reuter was one "who generally knows." When Reuter died at his villa in Nice in 1899, he left a solid, if not stupendous, estate.

Under the leadership of his less gifted son, Baron Herbert, Reuters at first rode the full tide of imperial greatness, but also made mistakes, including a disastrous diversification into banking.

Weakened financially as Europe slithered towards the 1914-18 war, Reuters found its expenses rising and its revenue stagnating. A long-standing alliance of interests with the British Foreign Office turned, on certainly more than one occasion, to secret payments for services rendered.

Between the wars Reuters had, in Sir Roderick Jones, another leader of great forcefulness. It was Jones who, in 1926, started the process of selling Reuters into the collective ownership of the British press. With the growth of the great American agencies, Reuters was now in an intensely competitive business.

Jones's autocratic regime saw some improvements in Reuter's range of reporting and growth in the by now Cinderella commercial services, but there was no post-imperial vision and no understanding of the deadliness of any embrace between newsman and government minister. It was eventually the exposure of yet another secret deal between Reuters and the Foreign Office that led to Jones's resignation in 1941.

The 1941 trust agreement between the squabbling British and colonial newspapers which now owned Reuters provided a certain kind of security, but it was hardly likely to nurture dynamic management and growth. It also tended to buoy the spirits of those within Reuters who were more interested in general news than business. As Derek Jameson, later to be editor of the *Daily Express*, is quoted here as telling a hapless commercial service colleague: "Sorry, cock. They've just formed their 29th postwar government in Italy. No room for your crap."

But that could not stop the black ink from business information flowing even

■ Turn to Page 2

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Production editor: Andrew Anderson

Weekend FT

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…n Ecu15bn to Ecu12.25bn …he British plans. But UK … stressed yesterday that …uld amount to a substan…ease in funding compared … 1988-92 budget period. …British package envisages …ontrol over internal and …trative expenditure, and …ase in external spending, …g aid for eastern Europe. …would be no real increase …cultural spending, which … to rule out any compen… deal to pay off French …s in return for Paris …g the recently negotiated … deal with the US.

UK budget plan, Page 2

…40 per cent

… over who should pay to …the fire-damaged Wind…le may have led to the …announced yesterday.

Continued on Page 20
…age for taxmen, Page 11

Brussels attacked over cost of waste and fraud

By Lionel Barber in Brussels

THE European Commission is *weakly managed*, has poor accounting controls, and its misjudgments have cost European Community taxpayers tens of millions of pounds, according to a report published by the Court of Auditors yesterday.

The EC financial watchdog's 1,100 page report criticises the Commission for wasting money in fisheries policy, programmes to widen sexual equality, aid to eastern Europe and the former Soviet Union, and through extra expenses for travel-conscious members of the European Parliament.

Its release comes as member states prepare for a showdown today in Brussels over new British proposals on the EC budget. Mr Jacques Delors, European Commission president, has already called for the annual EC budget to be raised by just under a third over the next five to seven years.

The UK and Germany, which doubt the need for such rises, will find plenty of ammunition in the court's report identifying several areas where mismanagement and fraud are endemic.

● Subsidies for the olive oil sector have risen almost threefold to Ecu1.774m ($2.17m) since 1985 – even though there is often no proof that many of the producers exist.

"The system continues to be unreliable, even though the Commission has continued to tinker with it for more than 20 years," the report says.

● Special support for beef and veal producers has risen more than sixfold to Ecu334.9m since 1987. But there is no common system for checking eligibility, and the payments encourage production at a time when beef and veal consumption is falling.

● The EC is paying wine growers to improve the quality of vines, while handing out subsidies to convert wine for industrial use or to destroy surplus vines.

The court also criticised Operation Phare, an EC aid programme for eastern Europe and the for-

Continued on Page 20

Oil prices: World oil prices fell to a seven-month low as prospects of an Opec agreement to limit oil output to below 25.0m barrels a day appeared shaky after more inconclusive talks in Vienna.

De Klerk timetable: South African president F.W. de Klerk said the country should be ready to hold all-race elections no later than April 1994 and an interim government of national unity should be in place before the end of that year.

Relief convoy gets through: A United Nations relief convoy reached the beleaguered Moslem town of Gorazde after being delayed by a mine explosion. Speaking in Germany, Lady Thatcher, former UK prime minister, condemned European countries for failing to stop the turmoil in former Yugoslavia.

$2.6bn for Brazilian river clean-up: The Brazilian state of São Paulo plans to begin a $2.6bn clean-up of the Tietê River, after agreement by the InterAmerican Development Bank to provide finance. Page 9

■ STOCK MARKET INDICES		
FT-SE 100:	2,741.8	(+32.2)
Yield	4.41	
FT-SE Eurotrack 100	1,048.85	(+5.50)
FT-A All-Share	1,297.56	(+0.9%)
Nikkei	17,478.04	(+177.03)
■ LONDON MONEY		
3-mo Interbank	7 3/16 %	(7 1/4 %)
Liffe long gilt future:	Dec 99 22/32	(Dec 100 3/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$18.75	(19.125)

■ GOLD		
London	$334.7	(333.85)
■ STERLING		
London:		
$	1.522	(1.5245)
DM	2.43	(same)
FFr	8.23	(8.2325)
SFr	2.1825	(2.18)
Y	189	(same)
£ Index	78.7	(78.7)
Tokyo close Y 123.78		

The New York markets were closed yesterday

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bt60
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

support over Gatt farm deal

By David Buchan and William Dawkins in Paris

FRENCH MINISTERS expressed confidence yesterday that EC partners would rally to their position on the draft Gatt farm accord, following Paris's explicit threat to veto the deal.

As negotiators on the General Agreement on Tariffs and Trade resumed work on wider trade issues in Geneva, French prime minister Mr Pierre Bérégovoy also said that France's veto threat on the agricultural agreement with Washington was "not intended to paralyse negotiations" in the world trade talks.

"I think we will convince our partners before resorting to a veto," said Mrs Elisabeth Guigou, France's EC affairs ministers. "We will keep fighting and I think we have some good cards to play," she said, adding that "we have recorded some understanding for our position" from several southern European countries, and German chancellor Helmut Kohl.

She also said it was "important to recognise what Frenchmen" such as Mr Jacques Delors, president of the European Commission, were doing to help France.

Mr Ray MacSharry, EC farm commissioner, urged states blocking a Gatt deal to drop their opposition and set to work explaining the beneficial sides of an accord.

"Those who risk bringing about a trade war, and prevent the opportunities for increased trade, prosperity and jobs which a Gatt deal will bring, bear a heavy responsibility," he said. "It is time for Europes' governments to show leadership and unity of purpose."

Mr Bruno Durieux, the trade minister, claimed that France had already reaped "half the beneficial effect" of its veto weapon simply by brandishing it so publicly.

All French ministers were yesterday sticking closely to Mr Bérégovoy's words that France would only impose a veto once a EC legal text on the Gatt farm deal was put in front of it. All, too, pointed out that such a text might not appear for some time.

Significantly, French industrialists yesterday voiced the fear that the government may have overdone its veto threat. Mr Ernest-Antoine Seillière, vice president of the Patronat employers federation, said a French veto would be "greatly damaging to French companies". The French economy, he said, should not be made hostage to the interests of French farmers whose entire turnover was less than the business generated abroad by five of France's biggest industrial groups.

By contrast, French farm unions expressed their satisfaction at the tough line taken by the government in Wednesday's parliamentary debate.

In Brussels, the Commission, after examining the US-EC farm trade agreement, yesterday issued a document detailing its case that the deal was compatible with Community farm reform.

Mr Arthur Dunkel, Gatt director-general, reopened negotiations in Geneva with the aim of achieving a "political agreement" by Christmas.

French fury, Page 2

CONTENTS

Gatt regime may outlive French revolution

By David Buchan in Paris

FRANCE'S explosion of fury on Wednesday, inside and outside the parliamentary walls of the Palais-Bourbon, was a moment of maximum heat and minimum light in the country's reaction to the EC's draft farm deal with the US.

Maximum heat, because MPs were giving their first reaction to the Gatt deal in a televised debate under extra-mural pressure from several thousand protesting farmers. Minimum light, because MPs were at that point still in the dark about the details of the Washington accord and of the European Commission's judgment on it.

An outpouring of emotion about the need to preserve the French rural way of life from attack by American agri-business – uncluttered by technicalities about the precise extent of that attack – was just what the government wanted, and why it rushed the debate onto parliament's agenda.

Equally important was to trumpet the threat of a French veto early and loudly. As Libération commented yesterday, resort to the Luxembourg compromise is like nuclear deterrence. "As with the atomic bomb, one has to talk about it as much as possible so as never to have to resort to it," the newspaper said. Mr Bruno Durieux, the French trade minister, claimed yesterday that having brandished the veto threat, "we have already benefited from half its effect" in frightening partners in the EC and adversaries in Gatt. So, the government got a 301 to 251 majority for its parliamentary declaration, complaining that the European Commission had "gone beyond" its Council of Ministers mandate in striking the farm deal in Washington and calling for an urgent EC ministerial meeting at which Paris "will confirm that it will veto any draft agreement contrary to France's fundamental interests".

Prime Minister Pierre Bérégovoy had hoped for unanimous backing. But, because the declaration was cast in the nature of a motion of confidence in the government, the opposition, strong-armed by the RPR Gaullists, voted pretty solidly against.

Yet, Mr Bérégovoy's anti-Gatt tactics were scarcely undermined by this. For the opposition said they wanted the government to take even tougher action, demanding immediate use of France's veto and a re-opening of EC negotiations with the US. The prime minister refused to narrow his room for manoeuvre to this extent. Better still from his viewpoint, the CNJA young farmers' union bridled at the opposition's divisive tactics and threatened to take it out on them at next March's parliamentary elections. Mr Jacques Chirac, the RPR president, sought yesterday to limit any electoral damage from this. A post-March conservative government, he said, "will take on, if need be, a European crisis by vetoing a policy or concessions to the Americans which do not take France's interests into account". Is France, therefore, set on a collision course with its EC partners over Gatt? Certainly, that was on Wednesday what the government seemed to want the world to think. But any crisis scenario has to take account of three variables:

■ **The timetable.** The French prime minister was very careful to say that France would use its veto "at all stages of the procedure, from the moment a legal text [on the Gatt farm deal] is presented to it". That could be a long way off. France yesterday asked the British presidency for a jumbo meeting of EC foreign and farm ministers as soon as possible to discuss the matter.

But even if the UK agrees to such a meeting, there would not be on the table any legal text enshrining the Washington deal, with its 21 per cent cuts in subsidised EC farm exports and restraint on oilseeds output, into EC law. The decision to table EC texts lies with the presidency – Britain for the next six weeks and Denmark for the six months thereafter. "Now that all the world now knows that France will veto the Washington deal, it will be up to the British and then the Danish to decide when that veto comes," said a close aide to Mr Jean-Pierre Soisson, agriculture minister.

■ **Allies.** France is now busy calling in its cards with potential allies; it has even reminded Spain of its role in rounding up Basque terrorists on the French side of the border. Paris hopes it can count on Latin support from the south, and on specific farm sector anxieties in northern states like Denmark and the Netherlands. This lies behind France's request for farm ministers to join their foreign affairs counterparts in a jumbo Gatt session. But key to these countries' attitudes will be that of Chancellor Helmut Kohl. Germany's backing was invoked by Mr Bérégovoy on Wednesday and by Mrs Elisabeth Guigou, France's EC minister, yesterday.

The German chancellor is clearly wavering on the fence. This week he told the Bundestag he hoped for French approval of the Gatt deal, but called for understanding of "our French friends' situation". President François Mitterrand, away this week in the *Middle East, is reserving his* persuasion for the Franco-German summit on December 3-4.

■ **Compensation.** For the moment, the talk in Paris is all of principle in refusing the Gatt deal, not of pay-offs for accepting it.

But the French Agriculture Ministry will in the next few weeks be trawling again through *the Gatt deal* and *the* CAP reform for discrepancies between the two, and studying the Gatt deal's impact not only on France but on the other 11 EC countries.

It may, in the process, be able to foster enough discontent with the existing CAP reform to get a revision of last May's EC accords.

The chances of "a reform of the reform" is not very promising, Mr Soisson concedes. But there is a formula which would suit France – extra EC income support for its small southern farmers, offset financially by an even bigger cut in EC cereal intervention prices which few farmers in the Community outside the Paris basin could tolerate.

Land army: Farmers find a riot policeman blocking access to an American restaurant in Bordeaux

'Luxembourg compromise'

Asserting a country's right of veto, the "Luxembourg compromise", has political force, particularly now with the EC's stress on subsidiarity, David Buchan writes.

But it has no formal legal status, because it does not appear in the Treaty of Rome, or subsequent treaty amendments.

Its name derives from the statement made by France's ministers when, after a six-month boycott, they returned to Council sessions in Luxembourg in 1966. The statement, accepted by France's five partners, asserted that a country could veto an EC proposal if its "very important interests are at stake".

Its use, declining in recent years, has largely been confined to farm legislation. Germany has invoked it successfully, and Britain unsuccessfully.

France's business chiefs in warning

By William Dawkins in Paris

FRENCH employers yesterday warned that a veto of the proposed US-EC trade accord would "greatly damage" companies' interests, their first official contribution to the heated debate.

A veto could provoke "a very serious" European crisis, "with very important consequences for the future of Europe", said Mr Ernest-Antoine Seillière, chairman of the economics commission of the Patronat employers' group.

Mr Seillière, a former senior diplomat and member of the French *negotiating* team in the Kennedy round of Gatt, declined to give an opinion on whether the government should veto the deal, but said: "The threat to block the process *is not credible*."

Mr Seillière stressed that industrial employers felt "strong friendship and solidarity" with farmers, but pointed out at the same time that France's general *interests* in an overall Gatt deal far outweighed farmers' perceived losses, both in terms of economic activity and jobs. "Nothing opposes us," he argued.

"We are struck by the fact that the reality of agriculture must be put into perspective with the whole of France's economic interests," Mr Seillière added. Farming generates 3 per cent of French gross domestic product, as against the 20 per cent produced by exports from all sectors, the Patronat said.

The French farm industry's FFr350bn (£42.5bn) annual turnover is less than than the FFr385bn combined overseas turnover of five leading industrial groups, Alcatel Alsthom, Usinor Sacilor, Thomson, Peugeot and Renault, the Patronat calculated. French farm sales are also dwarfed by the FFr500bn per year of sales lost by all countries through counterfeiting of goods, a practice *which harms France more* than most, and which would be curbed by a general Gatt accord, said the Patronat. It estimated that 70 per cent of counterfeited goods are copies of French brands.

Commission squares its US deal with CAP

Lionel Barber on a Brussels report that seeks to demonstrate their compatibility

RAY MacSHARRY, the *rumbustious EC farm* commissioner, asserts flatly that the US-EC deal on food export subsidies is compatible with the Community's reform of its Common Agricul*tural Policy*.

That compatibility is the crux of the compromise which negotiators hope will pave the way for a world trade agreement in the Uruguay Round under the General Agreement on Tariffs and Trade – and thanks to the publication of detailed figures in Brussels yesterday, it is possible to assess Mr MacSharry's argument and the strength of potential objections from France.

In 10 pages crammed with statistics and EC jargon, the Commission sets out Mr MacSharry's case. Its technical merits were accepted during a meeting of the full Commission on Wednesday after objections by Ms Christiane Scrivener of France.

The US-EC deal is based on two commitments: the reduction of direct export subsidies by 36 per cent from the average outlay in the period 1986-90; *and the reduction of subsidised* volume by 21 per cent over the same period. Whether this is compatible with CAP reform turns on whether one accepts assumptions about future pro*duction, prices and consump*tion in a six-year period, starting June 1994.

By far the most sensitive area concerns the exportable surplus of cereals. France claims that CAP production cuts will be deeper than foreseen if export volume restraint exceeds 18 per cent. France argues that any figure higher than 18 per cent is unacceptable. It also argues that the deal does not take into account technological advances which will result in higher yields in spite of land "set aside" under the CAP reform.

The draft EC-US agreement lays down that the volume of cereals that can be exported with export subsidies will be 23,410,000 tonnes at the end of six years, according to the report. Also, food aid will be at least 2.5m, it says.

The crucial question is about likely future production. A worst-case scenario is that yield would increase 1 per cent a year, with a starting point of 5 tonnes a hectare; this would mean 176.8m tonnes by the end of the century.

But the report argues that internal EC consumption should increase because falling cereal prices will mean the replacement of substitutes *such as soya cakes by cereals.* Cereals demand should also increase because of a foreseeable rise in the production and consumption of white meat such as pork and poultry. This *in turn means an expected rise* in internal consumption of 12m tonnes by 1999/2000.

Yet even this assumption of future prices and production is a bit of a gamble, as the report suggests. "*The most likely out*come is that the exportable surplus will remain within the limits authorised in the draft agreement and be compatible with CAP reform."

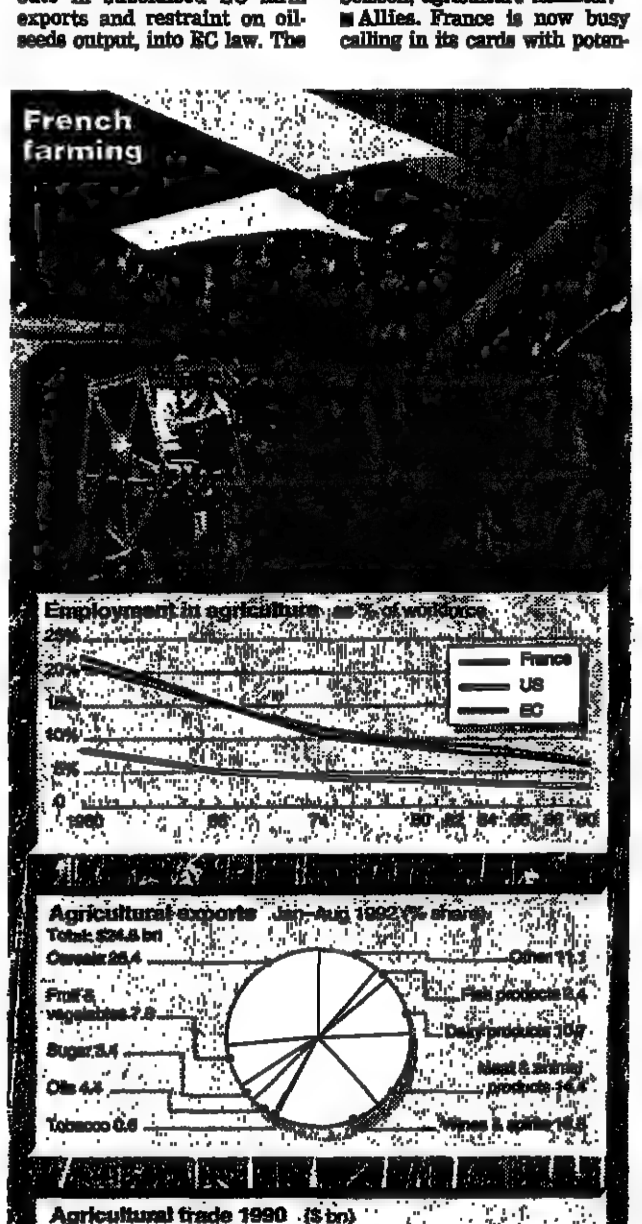
On dairy products, the Commission paper argues there is *no problem with butter and* skim milk powder: the volumes corresponding to a reduction of 21 per cent in export subsidies are "above the exportable surplus" foreseen at the end of the six-year period.

However, because of commitments to "minimum access" for cheese imports and required cuts in subsidised exports, between 3m and 3.5m tonnes of milk equivalents need to be dealt with. Settling this depends on consumption of cheese increasing by 1-2 per cent, and persuading Spain and Italy to cut milk production by 2m tonnes.

The other serious problem lies in the beef sector. Because member states watered down CAP reform proposals for cutting beef production last May, the exportable surplus at the end of six years is likely to be above the authorised export volume (817,000 tonnes) by between 300,000 to 400,000 tonnes. Already, there are some 1m tonnes of stocks.

The Commission paper argues that the problem of stocks should be dealt with. But it recognises that extra EC *money* will be needed, possibly in incentives to discourage production. It concludes, rather weakly, that "a combination of the application of these CAP reform measures will enable the EC *to meet the commit*ments laid down in the draft agreement."

But as Mr MacSharry said yesterday, the attraction of the deal is threefold: compensation to farmers under *CAP* reform will continue under the terms agreed; a "peace clause" with the US provides security; and a favourable agreement on oilseeds has prevented a damaging trade war with the US.



Sources: OECD, INSEE, Eurostat

Spain troubled by Paris threat

By Tom Burns in Madrid

THE French threat to veto the EC-US farm accord has caused concern among the European partners but something close to anguish in Spain.

Officials in Madrid, who need *no reminding of Spain's* close trading and political links with France, are shocked by what they view as a veiled threat issued by Mr Pierre Bérégovoy, the French prime minister, when he addressed the parliament in Paris on Wednesday night.

Mr Bérégovoy said France had backed Spain, Portugal, Ireland and Greece when they sought increased funding that would narrow economic imbalances within the EC and that France therefore counted on the solidarity of these governments when essential French interests were at stake.

The Spanish government is torn between its desire for a Gatt agreement, and its fears of discord both within the Community and with the US provoked by the threatened French veto. Spain's discomfort is made all the more acute because it is counting on French support for an agreement on the EC's Delors II package, which includes budgetary provisions for cohesion funds, at the Edinburgh summit next month.

"The Spanish government is *in a quandary*," an *EC diplomat* in Madrid said yesterday.

The Spanish Foreign Ministry said Spain saw the EC accord with the US as "very important" and perceived any veto *as "extremely serious"*. Spain has far more to gain than to lose from the compromise because it has never subsidised its farming to the extent that France has and because, as a latecomer to the EC in 1986, it has never been a significant beneficiary of the Common Agricultural Policy.

France, the recipient of more than 20 per cent of Spanish exports, is nevertheless Spain's main trading partner. France is also a key player in the Spanish economy, where it is present in strength in sectors ranging from insurance and distribution to petrol refining and car manufacturing.

The economic ties have moreover been cemented over the years by increasing political links.

In addition to French backing for expansionary EC budgets, the Madrid government has in the past sought close French co-operation in its *struggle to contain cross-border* Basque terrorism.

Lately Madrid has been counting on France to support its bid for increased Brussels funding in North Africa so as to stem the stream of immigrants. Caught in a web of conflicting interests, Madrid fervently hopes for an EC compromise that will satisfy Mr Bérégovoy and save Spain the pain of taking sides.

The US-EC farm trade deal has widened divisions within the Dutch farm sector, industry officials said yesterday, Reuter reports in Amsterdam.

Farmers in the Netherlands – the world's third largest *agricultural exporter after the* US and France – are struggling in vain to find a common stand on an issue that has left them divided.

"Cereal producers are against Gatt, but market gardeners are strongly in favour," said one farm representative.

Grain farmers and the cheese industry rely on subsidies.

Dunkel is reminded of Far East farm lobby

By Frances Williams in Geneva

WITH French opposition to farm trade reform already clouding the relaunched Uruguay round of global trade negotiations, Japan and South Korea yesterday served notice that they will oppose plans *obliging* them *to open* their closed rice markets.

Speaking at a meeting of the top-level Trade Negotiations Committee (TNC), which agreed to work for a "political" *conclusion of the six-year-old* round by the end of the year, Mr Minoru Endo, Japan's chief negotiator, said Tokyo's "difficulties" with draft farm trade proposals "must be resolved appropriately". Japan and South Korea have consistently opposed proposals in the Uruguay Round's draft package of rules or "final act" that would require all agricultural import barriers to be converted into tariffs and reduced over time.

However, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt) and TNC chairman, yesterday played down the risk to the round posed by Tokyo and Seoul. "Perhaps they are reminding public opinion that they are fighting," he said at a news conference.

He added that, as far as France was concerned, the EC negotiated as a unity in Gatt. He had no reason to think French objections to the emerging farm trade accord would upset the timetable for concluding the round.

Mr Dunkel said the US-EC deal struck last week would entail "some minor changes" in *the agricultural section of* the draft "final act" presented last December, but the basic structure and objectives had not been put in question.

In his remarks to yesterday's TNC, Mr Dunkel appealed for "discipline and self-restraint" by all participants in going over the draft "final act" for the last time in the coming weeks and said any changes must be made by consensus.

Trade officials hope to complete country schedules on tariff reductions and services liberalisation early in 1993, to catch the March deadline for submitting the pact to the US Congress.

Row looms over UK plan to resolve EC budget

Whitehall has its sights on a tough compromise to end the impasse over Community spending, reports **Peter Norman**

BRITAIN'S proposals for breaking the deadlock over the European Community budget are bound to cause a row when they are presented to community finance and foreign ministers in Brussels today.

The idea of a "tight and restrictive" package for the EC's future financing is unlikely to win instant friends among the member states lining the Mediterranean Sea. But the proposals, circulated to other governments yesterday as a presidency compromise, do provide for big increases in the transfer of funds to the four poorer community members compared with existing financ*ing arrangements*.

It is on this basis that Whitehall hopes for a settlement when EC leaders meet for their next summit in Edinburgh in two weeks' time.

The core of the British proposal is to raise the maximum size of the EC budget – the so-called own resources ceiling – to 1.25 per cent of community gross national product by the end of 1999 from 1.2 per cent *at present*.

The ceiling would be frozen at the present 1.2 per cent for the three years starting in January, then raised to 1.22 per cent for 1996 and 1997 before being lifted to 1.25 per cent for 1998 and 1999.

Using the Commission's latest assumptions for EC economic growth, this would increase the EC budget, expressed in 1992 prices, to about Ecu79.3bn (£61bn) by 1999 compared with Ecu61.1bn this year. According to UK Treasury figures, the EC budget would increase by an average 3 per cent per year in real terms, compared with about 5 per cent annually over the five years ending this year.

The UK plan is tougher than those advanced by the Commission. The *most recent official proposal from* Mr Jacques Delors, the Commission president, was for a five-year budget deal that would lift the own resources ceiling to 1.36 per cent of GNP (Ecu81.9bn or £63bn) by the end of 1997.

More recently, Mr Delors has been suggesting a package to lift the EC's budget to 1.32 per cent of GNP (Ecu83.2bn or £64bn) after seven years.

But the big selling point from Whitehall's viewpoint is the doubling of so called structural and cohesion funds for Spain, Portugal, Greece and Ireland – the four poorest EC member states – in the next seven years compared with the average of the past five years.

Under the UK plan, the cohesion fund – a new pool of resources first agreed at the Maastricht summit a year ago – would total Ecu12.25bn (at 1992 prices) over the seven year period. Originally Mr Delors proposed Ecu10bn for five years, increasing this to Ecu15bn over seven years in his later informal plan.

In addition, the UK proposes *increases in commitments under* the structural funds for poorer EC regions. These funds – covering regional development, the social fund and certain agricultural payments – would rise to Ecu23.8bn by the end of 1999 from Ecu19.4bn at present. Mr Delors' proposal envisaged an increase in the structural funds to Ecu27.7bn after seven years.

Britain has also proposed changes *to the Community's complex* revenue-raising rules that will help the weaker member states. These envisage a reduction in the role played by value added tax-related levies in meeting the community budget in favour of levies linked to the GNP of the member states.

The UK plans no change to the present formula for financing farm spending, which is structured gradually to reduce the share of farm spending in the overall EC budget. Whitehall officials believe that the share of farm spending in total EC spending could fall to around 50 per cent by 1999 from 55 per cent at present. Britain wants a review of the so-called agricultural guidelines in 1996.

But Britain wants changes in *other parts of the budget. It has pro*posed a big increase in the Community's external spending – on programmes such as technical assistance for the new democracies of eastern Europe, the former Soviet Union and humanitarian and disaster aid for Africa – to Ecu5.3bn by 1999 from Ecu3.9bn at present.

However, the figure envisaged for 1999 is lower than the Ecu6.1bn put *forward* by Mr Delors.

Whitehall has taken a big axe to Mr Delors' plans to increase substantially internal spending on programmes such as research and development and trans-European communications networks. It is planned that these should rise no faster than EC GNP over the seven years.

At the same time, the UK insists that the EC budget rebate, negotiated by Mrs Margaret (now Lady) Thatcher in 1984 should be subject to "no adverse change" as a result of negotiations on the EC's future financing.

The rebate, which returns to the UK 66 per cent of the excess of its *contributions to the Community* over its receipts, has been worth an average of £2bn a year since it was agreed.

The UK's determination to keep its rebate is likely to raise the hackles of Community partners such as Germany and the Netherlands, which otherwise could be expected to applaud Britain's tough line on overall EC spending.

The presidency compromise is not being put forward as a "take it or leave it offer". Whitehall recognises that it has to achieve consensus in a Community of 12 nations. But Treasury officials are hoping that the limits to own resources put forward in the budget plan will hold through the difficult negotiations that lie ahead.

They point out that the UK itself recently completed its spending plans for the next three years and managed to hold its planned outlays for 1993-94 within a £244.5bn total that was set a year before. Britain will commend its experience with the Autumn Statement to its community partners.

There will be no question of the community having to declare bankruptcy if there is no agreement on future financing at Edinburgh. The current 1.2 per cent GNP ceiling will continue indefinitely in the absence of a deal.

But several other important policies hinge on an agreement, not least the enlargement of the community to include aspiring member states. When Mr Norman Lamont, the chancellor, and Mr Douglas Hurd, the foreign secretary, detail the UK's EC budget plans today, they will make this linkage clear.

Firebomb deaths: suspect is questioned by prosecutors

Foreigners 'turn against Germany'

By Quentin Peel in Bonn

THE RECENT upsurge of racist attacks on foreigners in Germany has caused a "terrible wave of antipathy" against Germany in other countries, according to the president of the highly-respected Goethe Institute.

Details of the backlash were published yesterday as Germany's chief federal prosecutor, Mr Alexander von Stahl, said he was questioning a 25-year-old man in north Germany about Monday's firebombing in which a Turkish woman and two girls died.

He was named as Mr Michael Peters, living in Gudow, only 10km from the town of Mölln, near Lübeck. He was arrested on suspicion of forming a right-wing terrorist group.

Mr von Stahl, who has taken control of the Mölln investigation on the grounds that Monday's attack amounted to a threat to national security, said he was investigating possible involvement of Mr Peters and 10 known sympathisers in the Mölln attack. They are accused of previously taking part in two arson attacks on hostels housing foreign asylum-seekers in the area.

The German authorities have been galvanised into action by the deaths, and by accusations of inadequate efforts to clamp down on the wave of right-wing and skinhead attacks on foreigners in recent months.

Mr Rudolf Seiters, interior minister, is expected tomorrow to announce the banning of at least one neo-Nazi group and a sharp increase in security services activity against such organisations.

About 3,000 protested in Stuttgart on Wednesday night against racist violence. The central banner reads 'silence = acquiescence'

Yesterday's evidence from the Goethe Institute shows that the attacks have already had a dramatic effect on the country's international reputation.

Mr Horst Hanischfeger, the general secretary of the organisation, which provides courses in German language and culture all over the world, said that registrations had been most drastically affected in Asia. In South Korea, for example, they had dropped by 30 per cent. Overall there had been a drop of 10 per cent, undoubtedly influenced by fears of foreigners of being exposed to potential attack on coming to Germany.

The German media have suggested that some of the blame should be put on sensational reporting of the attacks. For example, the conservative Frankfurter Allgemeine Zeitung suggested in an article from Rome that the Italian media were guilty of "Goebbels-style journalism" in exaggerating the right-wing violence.

However, there is also a widespread recognition that the German political establishment has failed to concentrate on stopping the attacks, and has become bogged down in an interminable debate on how to control the influx of asylum-seekers from southern and eastern Europe which is expected to reach 500,000 this year.

Bank ready to aid European growth

By Richard Waters and Peter Marsh

THE European Investment Bank is ready to take on a bigger role in financing infrastructure projects in the EC if asked to by European politicians, its president, Mr Ernst-Günther Bröder, said yesterday.

He emphasised, however, that it would only take on projects that made economic sense, adding that the bank has recently strengthened its credit appraisal methods.

He also warned that it would take "a year or two" from the time a project was brought to the bank to when money was paid out.

Mr Bröder's comments, made at a London briefing, follow suggestions from other EIB officials in recent days that the bank would look askance if asked to take a leading role in any emergency growth package to stimulate economic activity in Europe.

"As far as the bank is concerned, we would be prepared to get involved in any scheme to appraise projects," Mr Bröder said. "If asked, we would increase the speed of financing. We are ready to do this."

He added that the bank, which can lend up to half a project's costs, waits for proposals to be brought to it by member states. Of the big infrastructure projects mentioned in recent days as a way of stimulating growth, he said: "They are all projects we had on our desks before."

The EIB uses only about half its capital base to support current projects, leaving capacity for substantial extra lending. Given the backing of European member states and its track record, there is no limit on its ability to borrow in the international capital markets, said Mr Bröder.

He added that the bank would consider in some cases issuing guarantees to commercial banks to back their loans, rather than lending directly itself.

● The EIB is prepared to provide up to £100m ($152m) towards building the Jubilee Line underground extension to London's docklands, officials suggested yesterday.

The bank, which has already lent £100m to Olympia & York, developer of the Canary Wharf project, said it was willing to back the extension to ensure Canary Wharf's future.

The bank would lend only to support private backers of the project.

Denmark plans spending boost

By Margaret Dolley in Copenhagen

THE DANISH government has announced an expansionary budget programme for 1993, stressing job creation and investment in infrastructure.

The announcement follows long negotiations between the partners in the coalition government and other centre parties. The programme is supported by all mainstream parties representing 85 per cent of the seats in parliament, including the Social Democrats, Denmark's biggest party. Formal passage of the budget bill is expected next month.

Prime Minister Poul Schlüter's Conservative Party has had to make substantial concessions in its efforts to reduce unemployment and other welfare benefits.

The Social Democrats, in particular, had criticised the government's original budget plans, outlined in August, for not giving enough stress to creating jobs.

The agreement between six of Denmark's eight parties was also hastened by a desire to put on a show of economic unity after last week's devaluation of the Swedish krona.

The government has agreed to find an extra DKr500m ($81m) for construction projects, including road building, railways, sewerage and housing. It says this should create at least 25,000 jobs.

However, the minister of finance, Mr Henning Dyremose, said he would still be able to reduce the budget deficit from the latest forecast of DKr40bn for 1992, which is DKr12bn more than budgeted. Mr Dyremose forecast that the economy would grow by 2 per cent in 1993 compared with 1 per cent in 1992.

● Party officials said attacks on the Danish currency following last week's devaluation of the krona in Sweden had pressured negotiators to reach a swift deal, Reuter adds.

Mr Dyremose told a news conference that effective devaluations in Sweden, Spain, Portugal, Italy, Britain and Finland would help to cut inflation further through lower import prices.

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Norway's currency reserves depleted

By Karen Fossli in Oslo

NORWAY'S central bank yesterday said it had used about half of its foreign currency reserves to defend the krone during last week's intense speculation that the currency would be devalued.

The Bank of Norway said it bought NKr49.9bn ($7.7bn) between last Wednesday and Friday, but there had been a net currency inflow of NKr13.9bn on Monday of this week. The amounts were in the higher end of the range of dealers' estimates.

The krone closed yesterday at 0.26 per cent below its central value of NKr7.9940 against the Ecu. The Oslo bourse was 1 per cent higher on continuing devaluation speculation. Norway was the first Scandinavian country to link its currency to the Ecu, from October 1990.

At the end of October, Norway's foreign currency reserves were worth NK107bn.

Treuhand agency suspects fraud

The Treuhand privatisation agency has uncovered a case of suspected fraud by a west German buyer of one of the agency's larger east German companies, writes Leslie Colitt in Berlin.

Mr Wolfram Froeb of the Treuhand's control department said the agency lost between DM20m and DM30m ($18.8m) on the sale last December of the Leipzig-based Agrotechnic agricultural implements company to the Eurata company in Hamburg.

Criminal charges had been brought against the majority shareholder in the West German company, the agency said.

Italian tobacco strike suspended

Workers at the Italian state tobacco monopoly in Rome and Genoa yesterday suspended a strike which led to a severe shortage of cigarettes, Reuter reports from Rome.

A spokesman for the CGIL union grouping said the strikers made their decision after the government threatened to take over cigarette distribution. The strike, now in its 19th day, has emptied tobacconists' shelves and driven street-corner prices to six times their normal level.

Polish sell-off slows down

Nearly 40,000 private companies have been established in Poland since the fall of communism in 1989 and the private sector generated more than 45.3 per cent of gross domestic product last year, Reuter reports from Warsaw.

But latest figures from the Privatisation Ministry show that after the initial rush of privatisation, covering mainly shops and small businesses, the sell-off has slowed.

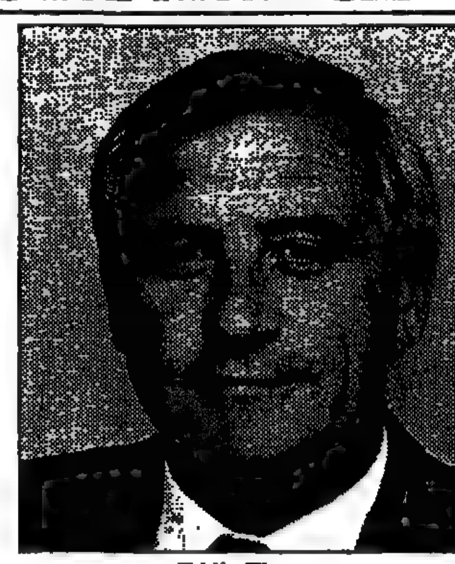
In the first nine months of this year only 45 state companies were transferred into private hands, a figure which reflects the problems the government is having attracting buyers to industry.

ADVERTISEMENT

THE CHALLENGE OF THE NEW SOUTH AFRICA

SA could prove an opportunity, rather than a threat, to its neighbours

Eddie Theron, managing director of Standard Bank Investment Corp, talks to John Spira, Finance Editor of Johannesburg's Sunday Star.



Eddie Theron

Spira: What do you think should be done to ensure South Africa's long term economic stability?

Theron: South Africa's economic performance has waned consistently since the mid-1970s. The economic growth rate fell from an average of 6 percent a year in the 1960s, to 3 percent in the 1970s and 1 percent in the 1980s. The 1990s have so far seen only recession.

This decline makes economic reform increasingly urgent, especially in the light of heightened expectations resulting from political change. Faster growth is essential if wholesale disappointment of these expectations is to be avoided.

One systematic approach to manage economic reform is through a structural adjustment programme, which must initially aim to stabilise the economy.

Of the components necessary to achieve economic balance, South Africa has made much progress on the monetary and exchange rate policy front, but fiscal policy remains too expansionary, reflecting a political problem of divergent responses to ameliorate difficult socio-economic conditions.

Thus, the successful implementation of a structural adjustment programme in South Africa presupposes a broad political consensus for it.

The positive developments on the monetary and exchange rate policy fronts are being frustrated by immense pressure on public resources, themselves partly a reflection of attempts by government to address rising social aspirations.

This raises the concern that short term political expediency may outbid sober long term economic policies. Whether the latter prevails depends on what institutional capacity emerges beyond the current political impasse to develop more unanimity on national economic policy.

Implementing economic reform won't be easy, since different constituencies are likely to seek to protect themselves from the inevitable interim sacrifices inherent in a difficult process of structural adjustment.

However, failure to initiate and sustain economic reform is likely to entrench inflation and unemployment well into the 1990s. This might mean ad hoc crisis-management of a deteriorating national economic situation until the authorities are pressured into an externally-designed structural adjustment programme to protect the interests of foreign creditors.

This could impose economic strictures as harsh as those endured, at substantial opportunity cost, since 1985.

Spira: How can fiscal discipline be reconciled with the need to achieve some measure of wealth and income redistribution?

Theron: International precedents are important, since South African policy makers — current and future — may be able to avoid the mistakes of unsuccessful countries and can take some cues from successful developing countries.

The overwhelming recent international evidence, as the Argentinian experience illustrates, points to the streamlining of the state's role in the economy.

The redistributive bias, which characterises current government expenditure, is likely to be pursued also by a future politically centrist, social democratic majoritarian government.

Given this, the only way to balance fiscal policy with other economic objectives would be for government to spell out its expenditure priorities very clearly and abide by these priorities.

Within a definite expenditure framework, provision for deficit financing up to 3 percent of GDP does allow for adjustment with a human face. Human resource development would need to be a spending priority, as would anti-poverty measures targeted at meeting basic needs of the population.

It is only when fiscal discipline matches that imposed by monetary and exchange rate policy that other initiatives directed at economic reform within and between the manufacturing, mining and agricultural sectors will have a chance of being successful.

The Reserve Bank has consistently placed the case for structural adjustment on South Africa's economic policy agenda. The tepid support given by government to economic reform and the ambivalent attitude of important political players — notably the ANC — to markets underscores the policy challenge facing the economy.

Spira: Would you describe the structural imbalance problem as being characteristic of all of southern Africa?

Theron: Sadly, alone among all the regions of the world, sub-equatorial Africa is getting poorer. Of course, there are other areas that are in bad shape, notably parts of Latin America and the Far East. But however poor they are, they're getting richer. We're going the other way.

Today, more than 175 million of all the world's poor live in sub-Saharan Africa. By 2000 they'll number 275 million. In the light of so dismal a statistic there is an obvious and imperative need to address the region's economic development.

Spira: How would you address that challenge?

Theron: Encouragingly, many of the political obstacles that previously barred the way to regional economic cooperation are disappearing.

The particular needs of the countries of the sub-continent may differ, but they share some important characteristics, the main one being that they all have a history of colonial rule and their trade patterns reflect the European imperial legacy.

As a result, their economies are very open to world trade fluctuations and extremely reliant on exports of primary products. Even in the most industrialised economy in the region, South Africa, manufactures make up only 20 percent of export revenues, against 69 percent for gold and other minerals.

Another common characteristic is that through the lack of complementarity between the region's economies, cooperation arrangements such as SADCC and the PTA have not effected much of an increase in trade between member states.

Now that South Africa can emerge openly as a reliable partner in the process of regional development, we need to look objectively at the trading patterns that already exist.

The fact is that all the SADCC countries rely heavily on South Africa for their external trade, and did so even when sanctions against South Africa were in operation. About 37 percent of SADCC's total imports come from South Africa and 9 percent of its exports go there. In 1990 SADCC imported almost R11,2 billion from South Africa but exported only about R2 billion.

The region's infrastructure is also skewed towards South Africa. Two-thirds of the tarred roads in the region are in South Africa and nearly 90 percent of railway freight ton/kilometres are in the South African system. It has 15 times as many telephones per 1 000 population as the SADCC countries.

And South Africa carries disproportionate clout in human resources development. With only 30 percent of its population, South Africa has 59 percent of the region's secondary school pupils and nearly 90 percent of its tertiary students.

All this would appear to present an uncompromising scenario for a grand plan of regional economic development. But beneath the obvious problems lie some possibilities.

One of the preconditions for closer regional economic cooperation — the recognition of a common interest in regional development — is already coming about.

Another, more difficult, precondition is greater domestic political stability among the countries of the region. The last two decades have seen a sad litany of political failure, but there are clear indications that this situation, too, is changing for the better.

A central aim should be to set in place the financial groundwork for greater congruence in macro-economic policy. It would be premature to look to the rapid creation of a regional trading bloc, but it is certainly within our compass to bring policies on interest rates, money supply, inflation and so on into greater conformity.

A second step, which would be some way further distant, would be to embark on a convergence of policies on exchange control and exchange rates with a view to eventual monetary union.

A third would be an evaluation of tariff policies among countries in the region.

The ultimate and very long-range objective should be to become, as a region, more self-reliant and internationally competitive. In the future we are going to have to earn our own living by improving our productive capacity and unless we can make better use of capital, the likelihood of further substantial foreign aid flows is remote.

A major problem is that for internal political reasons, many countries (including, I might say, South Africa) have devoted far too much of their domestic resources to maintaining a cumbersome, corrupt and incompetent bureaucracy.

Many governments seem wedded to price controls and other mechanisms which introduce or foster structural distortions in the economy.

The success of corrective measures for such conditions depends largely on the political will to permit market forces to work properly. While there is some evidence of a change of heart in this direction in some countries, protagonists of the market system still have much missionary work to do.

Yet despite the problems, there are certainly opportunities to increase intra-regional trade. Bear in mind that South Africa's influence on regional development could be very beneficial. It has the most sophisticated economy on the continent, good energy capacity, a world-class financial services sector and relatively advanced manufacturing technology and skills.

It has the capital absorptive capacity to act as a development trigger and a channel of foreign investment throughout the region. Its manufacturing capability could spin off technology to the benefit of the countries around it, as Japan's has on the Pacific Rim.

South Africa could prove an opportunity rather than a threat to its neighbours if it sets out to extend benefits such as these throughout the region.

A great deal of political will is needed to create a favourable business and investment climate in southern Africa. Foreign investors must believe that we are building a business environment sympathetic to long-term investment and encouraging profit commensurate with risk.

If they do not believe that, they will stay away — as indeed they are doing now, for the most part.

Spira: Surely one of the biggest stumbling blocks in the way of regional cooperation is South Africa's economic dominance.

Theron: There can be no doubt that in geo-political terminology, South Africa *is* the regional superpower and the fear of South African political, military and economic expansionism is real and pervasive.

There's no point in trying to evade the issue or to wish it away, nor to pretend that South African domestic politics have not become internationalised. The fact is that the apartheid system constituted a continuous threat to the social and political development of this region.

But the new initiatives coming from the south offer some exciting opportunities. To take advantage of them will require tact and sensitivity and a willingness to make concessions at every level, from the personal to the institutional.

Many of the problems of the past were of South Africa's making and for that reason, South Africans have a particular duty to come together with their fellow Africans in trying to resolve them.

We have to pursue, together, a regional identity that until now has eluded us — one of which our children can be proud.

Spira: Standard Bank has been pursuing an active overseas expansion programme. Why?

Theron: Standard Bank London, a wholly-owned subsidiary of Standard Bank Investment Corp (SBIC), was recently authorised by the Bank of England to begin banking activities within the UK. This is the first UK banking licence to be issued to a South African bank since the imposition of the moratorium on South African debt repayments in August 1985.

Standard Bank London will incorporate the financial services operations of SBIC's current UK representative office and its existing London subisidiary, Standard London (formerly Ludgate Advisory Services).

The UK banking licence will permit Standard Bank London to assume a central role in the Standard Bank Group's international network. As a key element in the group's long-term strategy of supporting its customers' global business, it will greatly facilitate trade and capital flows between southern Africa and the rest of the world.

SBIC also recently announced the acquisition of the Jersey and Isle of Man interests of British merchant bank Brown Shipley, which cover all major areas of *offshore asset management. It's an acquisition that constitutes a further important component of the bank's foreign strategy.

I'm confident that these developments will make a further contribution to the international competitiveness of South Africa's financial services industry. Major long-term benefits will accrue from the group's enhanced capacity to undertake international business across the spectrum of banking, investment management and trust business.

Standard Bank

Standard Bank Investment Corporation Limited
P.O. Box 7725
Johannesburg 2000
9th floor, No 5 Simmonds St.
Johannesburg, 2001
Tel: (JHB) 636-4996 Fax: (JHB) 492-1270

* Any investment business entered into with the SBIC Jersey and Isle of Man companies is outside the scope of the Financial Services Act 1986. Investors will not therefore have the benefit of the Investors Compensation Scheme, or Client Money Regulations and the Securities and Futures Authority rules may not apply. However, "Client Money" equivalent to the above regulations is given by those companies to all private customers.

Greece urged to cut debt

By Kerin Hope in Athens

GREECE is at last making progress on economic reform but must take further steps to reduce a ballooning public debt, the European Commission says in its latest report on the Greek economy.

The confidential report was made available by Greek officials before next week's meeting of the EC monetary committee, where Greece is expected to ask for the second Ecu500m ($615m) tranche of a special Ecu2.2bn loan.

Greece postponed asking for the loan tranche, due to be paid last February, after being criticised sharply by the Commission for falling short of 1991 targets for trimming the public sector deficit and failing to introduce structural reforms. The reforms were agreed when the first Ecu1bn tranche was transferred.

Officials in Athens hope this year's improved performance will help to ensure payment of the loan early in 1993, after Greece's plan for economic convergence with its EC partners has been approved.

"Grounds for optimism, albeit restrained, have emerged for the first time," the report said. "Since the spring of 1992, the government has pursued a more determined course to attain its fiscal objectives and to reform the economy." It noted the government had implemented reforms of the tax and social welfare systems, speeded privatisation, and kept a tighter control on spending by public enterprises.

A budget surplus of 1.6 per cent of GDP is expected this year.

The deficit is being contained, with central government borrowing down from 13.1 of GDP in 1991 to 8.3 per cent this year.

But despite the rescheduling of about Dr3,100bn ($15.5bn) of domestic debt in the past year, the public debt will rise by 5 percentage points this year to an estimated 130 per cent of GDP, as a result of increased interest payments.

The Commission's report warned that Greece's financial stability was threatened by such a high level of debt, adding: "Debt stabilisation is a key fiscal question which remains to be addressed in an adequate manner."

● Mr Sotiris Hadzigakis, the farm minister and an opponent of privatisation, resigned yesterday in protest at a cabinet decision to seek bids from international companies for a forest fire protection scheme.

Petrol for Yugoslavia is stopped

By Sheila Jones in London

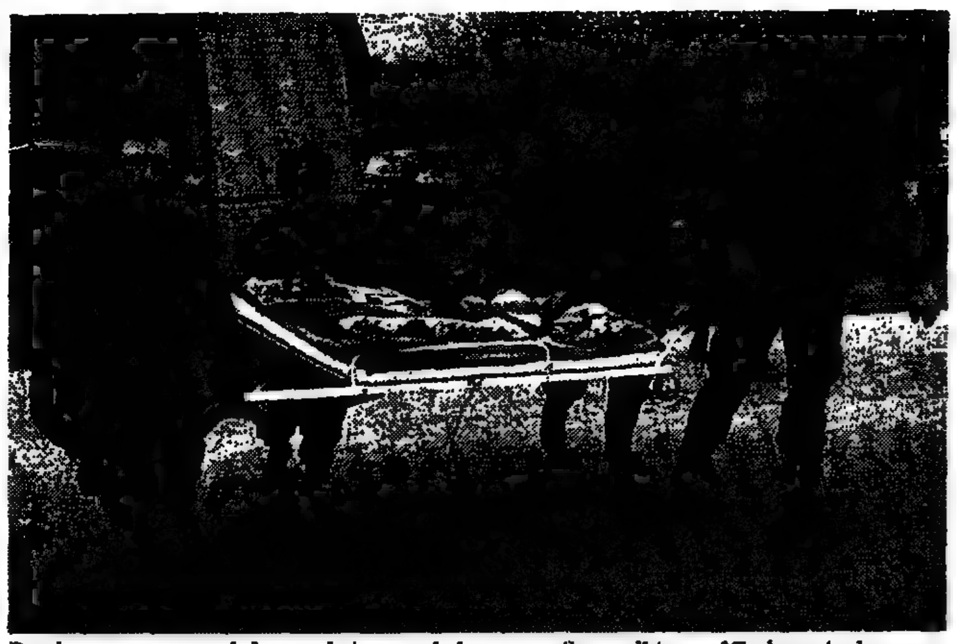
A BRITISH-led customs team trying to help enforce United Nations sanctions against the rump Yugoslav federation over six weeks have halted 950 trucks, barges and trains, most carrying petrol, at the Hungarian border, UK officials said yesterday.

Mr Douglas Hurd, the British foreign secretary, yesterday appealed under Britain's presidency of the European Community for the enforcement of sanctions by Hungary, Bulgaria and Romania. These countries have taken steps to improve enforcement along the River Danube and over land but more had to be done.

Mr Hurd yesterday spoke to the ambassadors of the three countries and asked them to press on their governments the need to keep up the pressure. So far, sanctions had produced a 50-70 per cent drop in Serbia's trade, unemployment of about 60 per cent and inflation running at 50 per cent a month, according to British officials.

Teams of customs officers from the UK, US, Netherlands, Sweden and Germany are working alongside local officials to help enforce the embargo. On the Hungarian border, British customs officers are leading a team of 10, backing up local enforcement.

Reuter adds: A UN relief convoy reached the Moslem town of Gorazde yesterday.



Bosnians carry a wounded comrade to an ambulance near the small town of Turbe yesterday

A very Ukrainian reformist

Chrystia Freeland on a rocket scientist's way of undoing communism

LEONID KUCHMA, the Ukrainian prime minister, built his career at Inzhmash, the world's largest rocket factory. It is one of the places the Soviet leader Nikita Khrushchev had in mind when he warned the west, whose capitalism he aimed to bury, that "we can turn out missiles like sausages".

As it turned out, it was communism that Mr Kuchma reluctantly buried in Kiev, the Ukrainian capital, last week. Less than a month after becoming prime minister, Mr Kuchma announced a U-turn in Ukrainian economic policy.

After denouncing the efforts of his predecessors to shore up the old, centrally planned economy which has produced hyperinflation and recession, Mr Kuchma told Ukrainians in a live television broadcast that their new nation had no alternative but to reform.

The importance of Mr Kuchma's message extends far beyond his country's borders, for instability in Ukraine poses a danger to the rest of Europe. The country, which is the size of France, has a 650,000-strong army, the largest in Europe, and 176 long-range nuclear missiles. It flanks four east European states and shares a long border with Russia.

But Ukraine has a fragile state structure after centuries as a virtual colony of Russia. It also has a weak economy. Inflation is out of control – consumer prices increased more than 20-fold in the first nine months of 1992 – and sharp falls in consumption and industrial production have prompted an 18 per cent decline in gross national product over the same period.

Faced with these bleak statistics, Mr Kuchma unveiled a plan which includes many of the ingredients of the economic reforms pioneered in eastern Europe: an effort to balance the budget, tight control over credit and money supply, and a programme of privatisation.

But for all his willingness to borrow from the free market gospel, Mr Kuchma represents a fundamentally different architect of reform from his counterparts in eastern Europe and the republics of the former Soviet Union. The scientist from eastern Ukraine who has been abroad only four times – twice to China – is a world apart from the young, westernised intellectuals who are bringing the market to other former communist states.

The importance of Kuchma's message lies in the fact that instability in Ukraine poses a danger to the rest of Europe

Whereas the economic changes in the fast-track reform central European states such as Czechoslovakia, Hungary and Poland are part of a deeper commitment to western values and desire for rapid membership of the European Community, Mr Kuchma has a more limited goal – to stave off economic disaster.

In practice, this means the prime minister has few reservations about using heavy-handed state intervention to secure his economic goals. Mr Kuchma has proposed a wage and price freeze, strict exchange control and restrictions on imports and exports. He has hinted at limiting the right to strike and the freedom of political parties.

Mr Kuchma's hand has been strengthened by an extraordinary political coup last week. Parliament granted the prime minister the authority to rule the economy by decree for the next six months and voluntarily restricted its own right to pass economic legislation. So sweeping are Mr Kuchma's new powers that one Russian newspaper has dubbed him an "economic dictator".

The first and toughest test of Mr Kuchma's new-found commitment to reform will be whether he sticks to his goals of bringing inflation down from more than 30 per cent a month to between 2 and 3 per cent a year and reducing the budget deficit from 44 per cent of GNP to less than 6 per cent.

To do that Mr Kuchma will need to end Ukraine's spendthrift practice of issuing credit to support failing state industry. According to Mr Viktor Penzennyk, the country's young, reform-minded minister of the economy, the government issued Rs800bn of credit to faltering enterprises in May and June alone.

The second test of Mr Kuchma's commitment to reform will be privatisation. When he first came to office just a few weeks ago Mr Kuchma said that it was premature even to speak of privatisation of large state enterprises. But the gravity of the crisis has forced him to change his tune. He now wants "forced" privatisation at all levels.

Although Mr Kuchma does not share the ideological commitment to the market of some of his counterparts in eastern Europe, his background in the the government and defence industries could give him the political strength they lack. Mr Kuchma – who has challenged the inner circle of Ukraine's ex-communist élite with his anti-corruption drive – may prove less vulnerable to the attacks of the industrial lobby.

One of the biggest dilemmas faced by all reforming ex-communist economies is how to compensate for the closure of inefficient state factories. In Mr Kuchma's view, arms sales may be part of the answer. Syria has already bought tanks from the Ukraine, while China has expressed interest in acquiring its aircraft carriers.

And observers suspect that weapons are part of a barter agreement for oil which Ukraine has concluded with Iran. India is purchasing spare parts from Ukrainian arms factories and is considering buying weapons.

With so much at stake, the west may be convinced it has to pay a higher price in the future. So far, western aid to Ukraine has come only in dribs and drabs: $210m worth of credit from the US to buy American grain, a C$50m (£25.5m) line of credit from Canada, Ecu130m (£105m) to fund technical assistance from the EC.

The prospects for substantial assistance from the International Monetary Fund and the World Bank have brightened considerably since Mr Kuchma came to office. Yesterday, for example, the World Bank announced it was close to finalising its first project in Ukraine, a $50m fund to finance institution building.

The nose of the average hotel concierge has been known to turn 3mm north at the sight of any visitor who happens to fall below his rather regal expectations.

Which is quite amusing, really. Except on those few (or not so few) occasions when *you* happen to be the guest.

After half a day in an airline seat which seems to defy every existing airline advertising claim, this is, perhaps, not the best of welcomes.

Nevertheless, tired and weary, you shrug it off and proceed silently to your room.

At dinner, however, the trial continues.

The atmosphere in the restaurant is sombre.

Four waiters hover around your table a trifle too attentively.

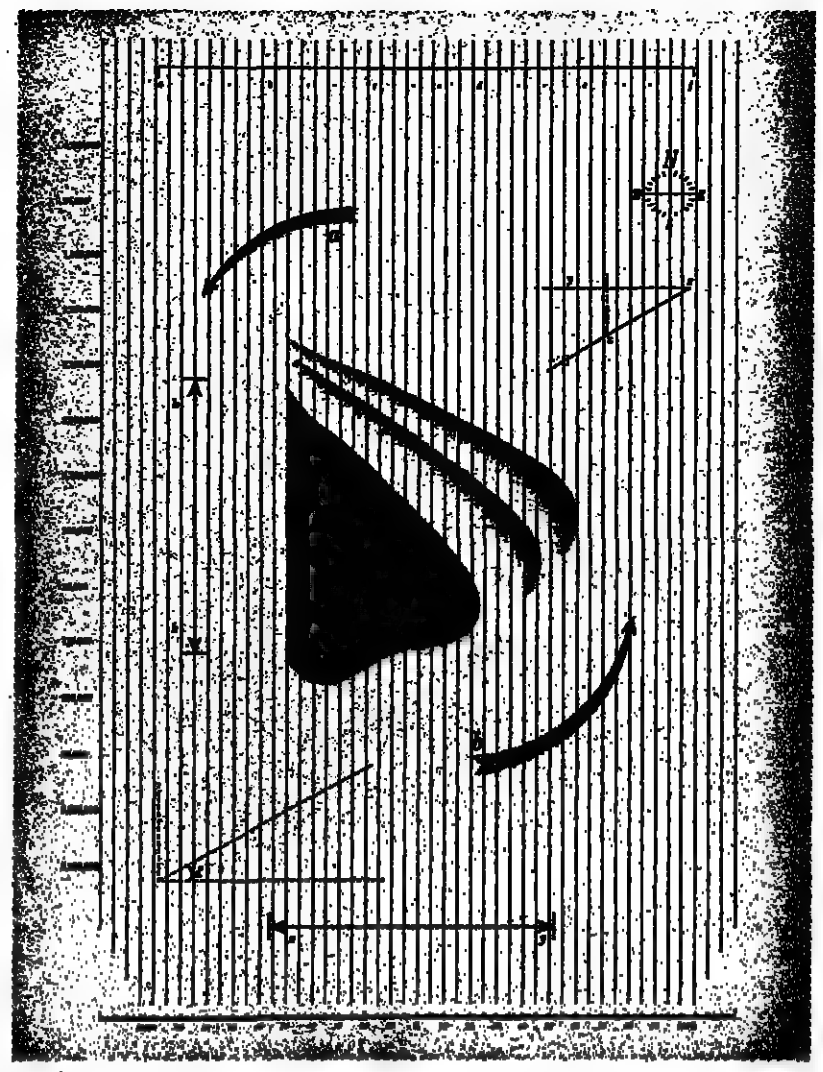
(As if in an attempt to make up for the concierge.)

And even a soft, gentle cough is interpreted as a cry for help.

All in all, it's a harrowing experience.

But you accept it quietly, along with all the other little annoyances, as part and parcel of "London tradition".

Now, thankfully, you have an option.



The supercilious concierge.
As examined by The Regent, London.

The Regent, London. The first classic London hotel without the stuffy atmosphere.

A hotel designed with the practical needs of today's business traveller in mind.

So does this mean we're some glassy, glitzy modern structure? Far from it.

What really makes us so special, is that we are a young, irreverent spirit, in a grand hundred-year-old Victorian building.

Above the sprawling courtyard at the entrance, where horse-drawn carriages once waited, we've built an atrium eight storeys high.

Creating one of the most spectacular hotel lobbies in the world. And setting the trend for the rest of the hotel.

The rooms, of course, are equally surprising.

The light, understated and contemporary decor is in stark contrast to the old architecture of the building.

We wouldn't have it any other way.

Because while we've tried to keep all the charming aspects of the old days, we've made sure we haven't forgotten the needs of the modern business traveller.

And let's face it, it's a lot easier to get work done sitting at a desk in a neat, elegant, efficiently planned room, than while sitting under the most elaborate curtains in Great Britain.

(Sorry, but it had to be said.)

We must admit that there is one thing about our rooms that's dreadfully old fashioned. The size.

With an average floor area of fifty square metres, our rooms show scant regard for the shortage of space in London today.

As far as technology goes, quite obviously, we've kept pace. So if you'd like to toss away the old quill, we can send up a computer to your room.

Even a fax machine, if you like.

But enough of that. It's not all work and no play at The Regent.

For those interested in keeping their bodies as active as their minds, we have a health spa, gymnasium and swimming pool.

As well as access to twelve tennis courts just down the road.

Well, seeing that you've read this far, perhaps it's time we told you where we are located.

Hold your breath, we're in NW1, near Marylebone station.

Before you yell "not on Park Lane" and turn the page, there are a few things to consider.

For a start, what's so great about Park Lane anyway? Do you really care whether or not you're next to five other hotels?

If you have to get to the heart of the financial district, it's quicker from where we are.

There's less traffic, and there are fewer red lights.

We also have Regent's Park just three minutes away, where you can stroll around and take in some of the freshest air in London.

But don't take our word for all this. Just do us a favour.

The next time you're looking for a hotel in London, make sure you examine The Regent.

For reservations please call - Hong Kong 366 3361. Singapore 737 3555. Toll free: Australia (008) 022 800. Japan 0120 001500. USA & Canada (800) 545 4000. UK (0800) 282 245. Switzerland 01 302 0876. Germany 0130 2332. Sweden 02079 5151.

the Regent LONDON

The Regent, London, a Regent International Hotel, is located at 222 Marylebone Road, London NW1 6JQ, UK. Telephone: (44 71) 631 8000 Facsimile: (44 71) 631 8080.

Opening December, 1992.

Takeshita has to fight for his political life

By Charles Leadbeater in Tokyo

MR NOBORU Takeshita, the former Japanese prime minister, was fighting for his political life last night after lengthy testimony to the Japanese parliament failed to dispel allegations that an organised crime syndicate played a vital role in his election in 1987.

Mr Takeshita, still one of the most powerful politicians behind the scenes in the ruling Liberal Democratic party, is likely to come under increasing pressure from opposition parties to resign from parliament.

A series of snap opinion polls taken after the testimony showed a majority of the public – even in his own constituency – did not believe Mr Takeshita's account of events leading up to his election in 1987.

Mr Kansei Nakano, a leader of the minority Democratic Socialist party, said: "Mr Takeshita must understand that he is politically finished."

Mr Takeshita told the parliament he would not resign because it would be seen as an admission of guilt.

Mr Kiichi Miyazawa, the prime minister, led half-hearted efforts by the LDP leadership to support Mr Takeshita and end the scandal that has recently destabilised the party leadership.

Mr Takeshita is still the titular leader of the LDP's largest faction, which is almost certain to split after the controversy that engulfed him.

He was impassive during most of his two-hour testimony.

The case involves whether Mr Takeshita knew that corrupt businessmen – then bosses of Japan's largest organised crime syndicate – were enlisted as intermediaries to quell an embarrassing right-wing street campaign against him.

Mr Takeshita admitted he met Mr Hiroyasu Watanabe, the former president of the Tokyo Sagawa Kyubin trucking company, who is on trial for breach of trust over the company's huge losses. The company made illegal donations of Y500m to LDP politicians.

Mr Takeshita said Mr Watanabe tried to stop the right-wing campaign of his own accord, and he became aware only in 1988 that Mr Susumu Ishii, the organised crime boss, also intervened on his behalf.

In court testimony last month Mr Watanbe said he told Mr Takeshita the right-wingers would cease their harassment campaign only if Mr Takeshita made a humiliating visit to the home of Mr Kakuei Tanaka, a former prime minister. The right-wing group wanted Mr Takeshita to apologise for deposing Mr Tanaka from the leadership of the LDP's main faction in the mid-1980s.

Mr Takeshita visited Mr Tanaka's home the day after meeting Mr Watanabe, but said it was a courtesy call, denying it was designed to stop the right-wing campaign.

Japan's economy to recover in 1993 on strong spending, OECD reports

By Charles Leadbeater

THE Japanese economy will stage a steady recovery next year, fuelled by a revival in consumer spending and strong public investment, according to the Organisation of Economic Co-operation and Development's annual survey of the Japanese economy.

The survey predicts Japanese gross domestic product will grow by only 1.8 per cent this year, rising to 2.5 per cent next year before reaching the government's target of 3.5 per cent in 1994.

Despite mounting bad loans at Japanese banks after the collapse of the bubble economy of the late 1980s, the report says there is no evidence Japanese companies are suffering a severe credit crunch imposed by banks.

The trade surplus is forecast to reach Y137,000bn (£725bn) this year, rising to Y152,000bn next year.

The current balance is likely to amount to 3.2 per cent of GDP next year.

Despite anaemic money supply growth and sharp cuts in private sector capital investment, the OECD forecasts the Japanese economy will not suffer from a prolonged bout of slow growth because its capital stock is still growing at a rate likely to generate growth of about 3.5 per cent to 3.75 per cent a year over the next five years.

This is likely to be 1 to 1.25 percentage points higher than the rest of the OECD.

Japanese bank lending has contracted sharply in the last year but the OECD says this cannot be interpreted as the start of a credit squeeze as banks reduce lending to offset debts.

The report says that the contraction in bank lending may be offset by increased lending from other financial institutions.

The banks might strengthen their balance sheets by issuing more long-term debt, allowing them to expand lending.

The main impact of more restrictive bank lending and the collapse in the Tokyo stock market has been to increase the cost of capital for Japanese companies, despite an increase in the rate of Japanese household savings.

Japanese companies find it more expensive to raise capital than their US competitors, reversing the trend of the late 1980s when Japanese companies had significant cost advantages over American rivals.

The report accepts much of the Japanese Finance Ministry's argument that there is limited room for further fiscal stimulus through tax cuts or higher public spending, despite a large general government surplus.

The OECD says that, if the rapid ageing of the population and rise in the cost of the pension system are taken into account, the general government financial balance would be in unsustainable deficit.

It also warns that cuts in current spending to offset sharp decline in tax revenues, which the government is considering for the 1993 budget, would not be justified as the drop in tax revenues reflects strong revenue growth during the boom from 1988 to 1990.

Japanese *keiretsu*, groupings of companies with cross-shareholdings – attracting considerable criticism in the US for allegedly restricting foreign companies' access to the Japanese market – may be efficient because they give managers more scope for long-term planning, the report says.

It calls for a significant tightening of regulation of securities markets as well as further liberalisation to eliminate collusive relationships between brokers and their clients.

OECD Economic Surveys Japan. OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France. FFr70.

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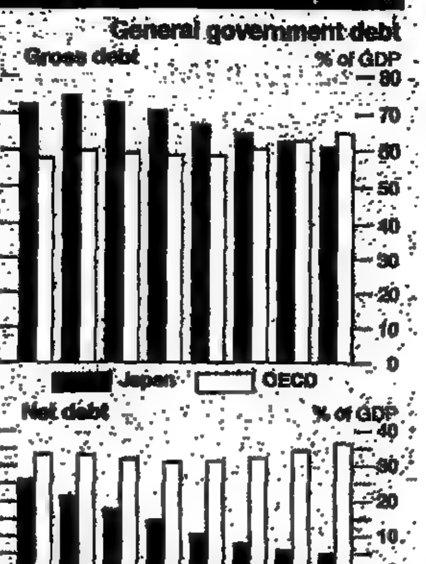
Japanese economy

The outlook

% change from previous year	1991	1992	1993
Private consumption	2.6	2.1	2.5
Government consumption	3.4	2.0	2.9
Gross fixed investment	3.5	-0.1	2.5
Public including public corporations	4.8	10.5	9.6
Private residential	-7.9	-5.0	4.9
Private non-residential	6.1	-2.1	-0.3
Exports of goods & services	5.2	4.8	3.4
Imports of goods & services	-4.6	0.1	3.3
GDP	4.4	1.8	2.5
GDP deflator	1.9	1.9	1.7
Private consumption deflator	2.6	2.1	1.6
Consumer price inflation	3.3	2.7	2.2
Industrial production (mining & manufacturing)	2.1	-6.3	2.3
Unemployment rate	2.1	2.2	2.3
Trade balance as % of GDP in previous period	1.4	0.5	0.0
Current account as % of GDP	2.2	3.1	3.2
General government net lending as % of GDP	2.4	1.7	0.7



Miyazawa ducks support for Patten

By Robert Thomson in Tokyo

MR Kiichi Miyazawa, the Japanese prime minister, yesterday listened politely to the democracy proposals of Mr Chris Patten, the Hong Kong governor, but said only that Tokyo "understands" the proposals and did not give a clear signal of support.

Japanese officials said Mr Miyazawa was concerned he would anger China by expressing support for the proposals to broaden Hong Kong's democratic base. The US, Canadian and Australian governments have already announced that they support the plan.

Mr Patten is in Japan until tomorrow to raise the consciousness of Japanese politicians about the position of Hong Kong and to encourage economic links with British colony. In spite of the indecisive response from Mr Miyazawa, the Hong Kong governor said he was pleased with the discussion.

"I think that the Japanese government recognises that the matter of the joint declaration [between London and Beijing on Hong Kong's status] is a matter for Hong Kong, the UK and China," he said.

British officials said Mr Patten understands that it is not the Japanese way to give the stamp of approval to his proposals, but he is keen to have Japanese politicians more aware of the sometimes heated debate between China and the Hong Kong government.

AP adds from Beijing: China yesterday criticised Mr Patten for seeking wider support for his proposed political reforms.

Mongolia aims to put economy in new hands

Stalinism has been crushed in rush to privatise, writes Hugh Fraser, recently in Ulan Bator

MONGOLIA is pressing ahead with a privatisation scheme which it claims to be the fastest in history.

The country's conversion to free market economics is being overseen by the Mongolian People's Revolutionary Party. The party ran a Stalinist regime for nearly 60 years but is now pursuing a policy of reforms including price liberalisation and banking and private property laws – though it is also having to re-draft previous legislation which was pushed through too fast.

Privatisation is central to its policies. Between February and October, 121 companies were floated on the Mongolian Stock Exchange, and the target is 500 by the end of the year.

All companies are being considered for privatisation except those which are bankrupt or considered too important to the country; among the latter are significant earners of hard currency.

The country is using a voucher scheme similar to that under way in Russia. Each Mongolian citizen receives a free voucher worth 10,000 tugriks (£167 at the official rate), of which 7,000 tugriks can be use to subscribe to larger privatisations and 3,000 tugriks to buy small businesses or livestock.

Says Mr Naidansurengiin Zolzhargal, 27-year-old chairman of the stock exchange in Ulan Bator, the capital: "This is mass give-away privatisation for its own sake. The goal is not raising capital, but changing the ownership structure of the economy."

Mr Zolzhargal, a self-assured man educated in Germany and the US, heads an exchange with 29 stockbroking firms employing 700 traders – though as yet there is no formal secondary market in shares.

The brokers, operating on what Mr Zolzhargal says are the only dedicated telephone lines in the country, concentrate on channelling the new share issues to investors through an auction system.

There is a flourishing trade in the vouchers themselves. Many Mongolians prefer to sell their 7,000 tugrik vouchers for as little as 200 tugriks in cash.

The gleaming white interior of the stock exchange, situated in a former children's cinema built by Japanese prisoners of war in 1946, contrasts with the crumbling plaster of most government buildings. The Austrian contractors who refitted it last year for $1.5m (£985,000) are awaiting payment from a government which can barely afford such symbols.

Not all Mongolians share Mr Zolzhargal's enthusiasm. "There simply are not enough viable factories for everyone to buy," says Mr Gongorjavin Boshigt, a leading architect of the democratic movement, who has turned businessman.

Mongolia's prime minister, Mr Puntsagiyn Jasray, has made a new appeal for emergency aid, saying his country needs $20m (£13m) to make it through this winter, Reuter reports from Ulan Bator.

The money would be used to pay for imports of Russian petroleum products, heating oil among them. Mongolia (which celebrated its national day yesterday) imports all its fuel from Russia, but economic difficulties associated with its transition to a market economy have wiped out hard currency reserves.

Mr Jasray said his government would appeal for aid at an emergency meeting to be held next Monday in Washington. Japan, the US and Germany are expected to attend with officials from the International Monetary Fund and the World Bank. Mongolian officials say donors will not be asked for new pledges, but for faster disbursement of aid.

He believes profitable concerns will fall into the hands of rich individuals. He himself has taken advantage of the government's "small" privatisation scheme, paying 15m tugriks and 3.4m tugriks for two shops sold at a state-run auction last year. Around 90 per cent of small shops and 60 per cent of the country's 25m head of livestock are now in private hands.

But few Mongolians are as well off as Mr Boshigt. The average urban wage is around 4,000 tugriks a month, with the tourist exchange rate standing at 250 tugriks to the dollar.

Inflation is rampant. The price of bread, which was freed in September, rose from 3 tugriks to 13 in one day. Inflation in 1991 was 120 per cent, and in the first seven months of this year it averaged 14 per cent per month, partly because of the liberalisation of prices.

Gross domestic product fell by 9.2 per cent in 1991, and a further contraction of 5 per cent is expected this year. Exports tumbled by 22 per cent and imports by 43 per cent in 1991; in the first seven months of 1992 exports rose by 6.6 per cent and imports fell by 15.7 per cent.

Mongolia did 97 per cent of its trade with Comecon countries before the collapse of the Soviet Union, and lack of hard currency on both sides has limited trade and caused severe shortages of essential goods in Mongolia.

An acute shortage of oil, formerly supplied by the Soviet Union, has pushed the Mongolian transport system to the brink of collapse. In the first quarter of this year, imports of petroleum virtually ceased amid confusion in negotiations with Russia. A new agreement was struck in June and supplies resumed.

Mongolia is dependent on foreign aid to pay for imports of food, energy and spare parts. A meeting of donor countries and organisations in Tokyo last May pledged $409m of assistance until the end of 1993. Japan is the largest bilateral donor of aid to Mongolia, having granted Y3.8bn (£20m) so far this year.

"If balance of payments support was not forthcoming this would be a country without heating and supplies, disconnected from the rest of the world," says Mr Johannes Swietering, resident representative of the United Nations Development Programme in Mongolia. However, he notes an encouraging shift from emergency aid towards project finance.

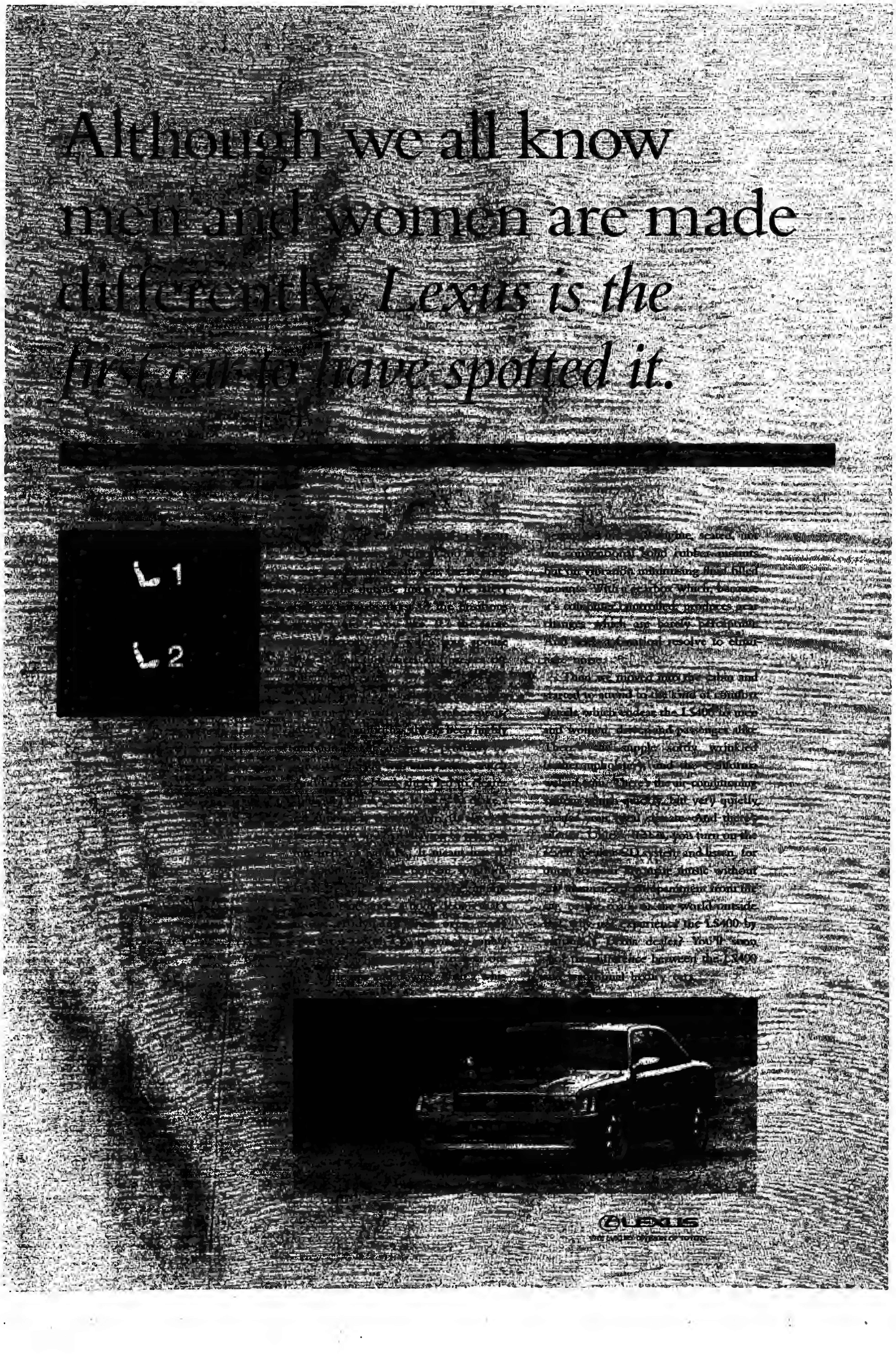
Mongolia, despite its vast size, has a population of only 2m, of whom two-thirds still live in traditional nomadic tents, called yurts. It claims a literacy rate of 98 per cent.

Most of its hopes for prosperity are based on unexploited natural resources. British Petroleum and Exploration Associates International, a US company, have carried out feasibility studies for oil development in the eastern Gobi desert. Morrison Knudsen, a US mining concern, has signed an agreement with the Mongolian Bureau of Mines to produce three tonnes of gold annually.

Some heights of the Mongolian economy are considered too important to privatise. Among them is the Gobi cashmere factory, which exports 98 per cent of its produce to 14 countries and has annual revenues of $13m. Unlike much of Mongolian industry, the factory's machines, many of which were donated by the Japanese government in 1977, are not brought to a halt by shortages of energy or spare parts.

By contrast, the Mongolian felt industry, which is currently working half-time, is slated for privatisation. The breakdown of a barter arrangement with Poland means the factory no longer has the spare parts and man-made fibres it needs to make felt of export quality. Its product is sold on the domestic market as material for yurts.

According to one manager at the felt factory, "Ordinary people are not interested in the privatisation process. They do not have enough information to judge which factories will make a profit."


Although we all know men and women are made differently. *Lexus is the first car to have spotted it.*
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NEWS: INTERNATIONAL

Aids, 'killer of the fittest', debilitates developing world

Michael Holman reviews a survey of the disease's economic impact

JUST OVER a decade after the world learned of an epidemic more frightening than the Black Death, reliable statistics remain hard to obtain and evidence is sometimes anecdotal, but the consequences are becoming starker.

Aids (Acquired Immune Deficiency Syndrome), the fatal condition that results from long-term infection with HIV (human immunodeficiency virus), currently kills 100,000 people a year worldwide. But worst-hit are vulnerable economies of developing countries in general, and Africa in particular.

In Uganda, the condition is inflicting a terrible toll on the country's railway corporation. Ten per cent of its employees may have died of Aids; labour turnover is 15 per cent a year.

In Zambia, the country's copper mines, responsible for 75 per cent of the country's export earnings, are vulnerable: "The danger is that skilled workers, supervisors and managers will die of Aids faster than replacements can be trained," warns one expert.

"The result will not be a sudden collapse in mine output. Rather, there will be a slow but steady increase in the incidence of breakdowns, accidents and delays, and output will suffer."

From South Africa comes other ominous news. Life insurance companies paid £855,000 in Aids-related claims between 1985 and 1988. In 1989 alone, payments were £700,000.

In Zimbabwe, claims in group life schemes of one insurance company doubled between 1986 and 1990, and the amount paid out multiplied 25-fold. And in Malawi a leading insurance company pulled out of the market when the government banned Aids test on applicants seeking cover.

These examples come from an extensive survey of the possible impact of the disease on development by the Panos Institute, the independent London-based research body*.

Although the study takes a global view, some of the most frightening statistics come from Africa.

The World Health Organisation, drawing on a World Bank model, says that life expectancy in sub-Saharan Africa could fall to 47 years by the end of the century, compared to 62 without the HIV/Aids factor. Unicef predicts that the under-five mortality rate in central and east Africa is likely to rise to between 159 and 189 per 1,000 live births, instead of dropping to 132.

But Africa bears a double affliction – it has nearly half the world's HIV/Aids victims but the continent's economic crisis has left it almost bereft of the resources required to meet the challenge.

In 1990, says the Panos report, the global cost of Aids treatment was estimated at between $2.6bn (£1.7bn) and $3.5bn – no more than 2 per cent of which was spent in sub-Saharan Africa.

It is estimated that up to 12m adults are infected with HIV – one in 250 of the world's adult population. Over 80 per cent of cases in the developing world, and most of those infected, are between 14 and 44. By the end of the century the death toll is expected to be at least 400,000 a year. And by then at least 40m people, perhaps 100m, are expected to have been infected by HIV.

The world faces other killers, some of which are readily preventable or curable. Malaria claims 1m lives a year; tuberculosis 3m, diarrhoeal disease 4m. But most of these deaths are among the vulnerable – the very young or the aged: the former are unproductive, and the latter have ceased production.

Aids, however, threatens the development prospects of whole nations, the report points out, by primarily attacking men and women aged between 20 and 45, "the backbone of the labour force". Because HIV hits active young adults hardest, it could be described as "the killer of the fittest".

As the epidemic advances, warns the report, to be published on Monday, the eve of World Aids Day, existing skills shortages will be exacerbated and new ones will be created. Productivity will be threatened: "As the young sexually active members of the labour force (20-40) become infected, fewer will survive to form the older segment (40-60) which has accumulated skills."

The higher the income, the greater the opportunity for sexual activity. Thus a 1988 study in Zaire found that HIV infection rates in better educated and higher paid male workers was 5 per cent, compared with 3 per cent in the lower-graded categories. Further evidence comes from Zambia, where one sample revealed 8 per cent infection among urban adults with fewer than five years of schooling, rising to 33 per cent of those with 14 years or more.

The picture is incomplete, the report acknowledges. Chapters on the implications for labour rely heavily on information from central and east Africa. Nevertheless, the impact of Aids may be as severe in other developing regions.

"Cash crop production may decline ... labour costs rise as shortages develop, and employers may face spiralling medical costs," warns Mr Jon Tinker, president of the institute, in his foreword to the 170-page study.

No cure or vaccine is in sight, most experts agree. Part of the anti-Aids strategy, says Panos, should involve more money for prevention. It cites one calculation that suggests that $100m spent in anti-HIV/Aids activities in Thailand in 1991-92 could stop 3.5m people being infected and save $5.1bn in potential losses: "Spending $1 now to save $51 later does sound like quite a good investment," says Mr Tinker.

But even if infection were to cease overnight, the challenges posed are enormous, warns Panos. The lengthy incubation period means that ... the number of Aids cases would continue to grow over the next decade at an average of 10 per cent a year, a total of 40m by end of century – almost 90 per cent of them in the developing world.

This means that planners must prepare to adapt, says Panos. In the agricultural sector it may mean less labour-intensive crops. The schooling systems must accommodate the special needs of a forecast 10m orphans; economic policies must take into account the changing age profile of the labour force.

**The Hidden Cost of AIDS: the challenge of HIV to development. The Panos Institute, 9 White Lion Street, London N1 9PD Tel: (71) 278 1111, £9.95*

Bhutto set to fight on in Islamabad

By Farhan Bokhari in Islamabad

A BAN excluding Ms Benazir Bhutto, the Pakistani opposition leader, from the capital, Islamabad, was lifted last night, but there were no signs the continuing government-opposition rift would end soon.

Ms Bhutto, who last week tried to lead a march to parliament to demand the dismissal of the government of prime minister Mr Nawaz Sharif, was yesterday in Lahore vowing to continue her campaign to remove the administration on allegations of corruption.

Opposition politicians will meet in Rawalpindi today to discuss strategy.

In Rawalpindi, police fired tear gas and beat back demonstrators with batons as opposition politicians, including Mrs Nusrat Bhutto, Ms Bhutto's mother, arrived. The campaign is the most aggressive attack on Mr Sharif's government during its two years in office.

Concern is growing that the confrontation is causing nervousness among investors, western diplomats say.

Mitterrand holds talks with Rabin before going on to Amman

France to press for EC Mideast aid fund

By Hugh Carnegy in Jerusalem

FRANCE will press the European Community to create an Ecu1bn (£800m) fund for economic development in the Middle East to back peace negotiations in the region, President François Mitterrand said in Jerusalem yesterday.

Stressing the role Paris and the Community could play in the multilateral negotiations on regional co-operation, he said the EC should levy up to Ecu1bn from its economic development fund for joint projects in areas such as water, tourism, transport and trade.

It would also encourage "useful forms of dialogue" between Arabs and Israel, Mr Mitterrand said. "This is an initiative which France very much wishes to pass on to the European Council."

The president was speaking after talks with Yitzhak Rabin, prime minister. He and Mr Roland Dumas, his foreign minister, also met Mr Faisal Husseini, the senior Palestinian leader in the occupied territories, and members of the Palestinian delegation to the Middle East negotiations. He travels on to Jordan today for talks with King Hussein.

President François Mitterrand stands with Mr Yitzhak Rabin yesterday at a remembrance ceremony honouring holocaust victims

He described Israel's approach to the peace talks, which have progressed only slowly since they began a year ago, as "very positive" and expressed support for the process despite reservations about exclusion of the Palestine Liberation Organisation. Mr Rabin said he had asked France to urge the Palestinians to shed their objections and press ahead with the negotiations.

But both Mr Mitterrand and Mr Rabin played down suggestions that the president was acting as an intermediary in the bilateral talks.

Last month France hosted a meeting of the multilateral talks on regional economic co-operation. Mr Mitterrand said he would press fellow EC members to follow France's example in passing legislation outlawing the Arab economic boycott against Israel.

French and Israeli officials signed four bilateral co-operation agreements, including an accord on joint scientific research and an outline for an electric railway project.

De Klerk sets out reform timetable

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN President F W de Klerk yesterday spelt out his government's timetable for a transition to multi-racial democracy, saying he expected all-race elections to take place by April 1994, with an interim government of national unity in place by the end of that year.

However, he issued a veiled threat that, if this timetable could not be achieved through multi-party negotiation, "other ways will have to be found to bring about a government of national unity".

He gave no details. But the constitution calls for a general election by late 1994. He has often said he will not hold another whites-only election, leaving him needing to co-opt moderate blacks into his cabinet if negotiation fails.

He said the timetable involved the completion by February of the current bilateral constitutional talks, with a multi-party negotiating forum to convene by March and agree an interim constitution by the end of May.

US offers to send troops to Somalia

THE US has offered to provide up to 30,000 armed troops to deliver relief supplies to thousands of starving people in Somalia and will use force if necessary, AP reports from Washington.

The troops would be part of a proposed multinational force operating under United Nations auspices that would attempt to end the disruption of food supplies by feuding clans in the stricken African nation, officials said.

Mr Lawrence Eagleburger, acting secretary of state, made the offer on Wednesday to Mr Boutros Boutros Ghali, UN secretary general, in response to his plea for more help in a so-far unsuccessful UN relief mission, they added.

Mr Boutros Ghali did not decide immediately whether to accept the offer, conditional on other nations also providing troops as part of the operation. "It was a tentative discussion," said one official, "but there was broad agreement in the UN Security Council that things aren't working out."

The troops would help deliver supplies and also provide security, the official said.

Funds threat to Canada's peace forces

By Bernard Simon in Toronto

CANADA'S military authorities have warned that the country's United Nations peacekeeping operations are being threatened by cuts in government spending.

Canada is the second-largest contributor to UN peacekeeping, after France. It has 4,300 troops, about a tenth of the total, in 15 different UN contingents.

With an estimated 20-25 per cent of defence resources now earmarked for UN missions, the Defence Department has indicated it requires a big increase in its 1993/94 budget if it is to maintain Canada's commitment.

Mr Marcel Masse, defence minister, told a Senate committee in Ottawa: "It's not a question of will, it's a question of dollars." The department has been among the heaviest casualties of recent government spending cuts.

The number of Canadian peacekeepers does not include replacement forces training in the country concerned, nor air and naval support operations, such as aircraft ferrying relief supplies in Yugoslavia and Somalia.

Mr Masse said the peacekeeping bill was C$170m (£87.6m) over budget so far this year. The mission in Yugoslavia, involving 2,400 Canadian troops, has been a particular drain as individual countries are paying the full cost of participation in the peacekeeping effort.

Mr Alex Morrison, director of the Canadian Institute for Strategic Studies, forecast yesterday that the number of Canadian peacekeepers would increase further next year, but probably at the expense of other military commitments. "There is a bias towards participating," he said.

Ottawa has begun to scale down its 500-troop contribution to the UN force in Cyprus. However, General John de Chastelain, chief of defence staff, said Canada had been approached to take part in possible UN missions in Macedonia and Mozambique.

Go-ahead for $2.6bn São Paulo river clean-up

By Bill Hinchberger in São Paulo and Stephen Fidler in London

THE Brazilian state of São Paulo has received the go-ahead to begin a $2.6bn (£1.7bn) clean-up of the state's Tietê River, following agreement by the InterAmerican Development Bank to provide finance for the project.

The board of the IADB this week approved a loan of $450m to the state, Brazil's largest. It is the first part of a planned $1.2bn IADB financing, which would be the largest granted by the bank.

The initial loan will finance half the $900m needed for the first stage of the scheme, designed to resuscitate the river, which has been devoid of aquatic life since the 1950s. The goal of the first phase is to reduce industrial and human waste by 50 per cent by 1994.

An estimated 1,100 tonnes of waste a day are dumped into the Tietê, 800 tonnes of domestic waste and 300 tonnes of industrial effluent.

The reduction will be achieved partly through basic sanitation projects for domestic sewage. The sewerage system will be expanded to increase coverage of the São Paulo metropolitan region from the current 63 per cent to 70 per cent. Two new treatment plants and expansion of an existing one should increase the proportion of waste treated from 19 per cent to 45 per cent by 1995.

Mr Luis Antonio Fleury, the state governor, said in London yesterday that five European companies had voiced interest in participating in the project, which was open to international tender. They included Thames and North-West Water in the UK and Générale des Eaux and Lyonnaise des Eaux of France.

IADB financing will also help boost pollution control agencies. Some 1,200 companies, responsible for 80 per cent of the Tietê's industrial pollution, have been identified and companies are expected to develop individual or joint schemes to reduce the flow of toxic waste into the waterway. About $500m is expected to be spent on pollution control equipment.

Brazil's National Development Bank (BNDES) has made $250m available for this.

The river runs through Brazil's most populous and industrialised region.

About 16m people live in the metropolitan region of São Paulo city. The state, with 33m inhabitants, accounts for 32 per cent of the country's gross domestic product.

Brazilian officials compare the recovery effort to that used for the Thames in the UK, although the Brazilian project is more ambitious. The Tietê is 1,100km long, 300km of which are severely polluted, against 338km for the Thames.

Brazilian Indians warn on cuts

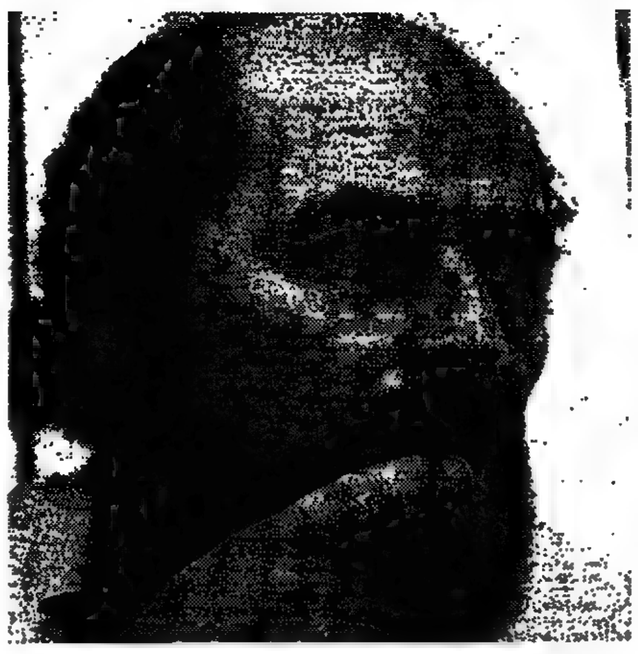
By Tim Burt

CUTS in public spending are threatening the survival of Brazil's indigenous Indians, the president of the government agency for Indian rights warned yesterday.

Mr Sidney Possuelo, president of the Funai agency, said in London that his organisation had been paralysed by a 90 per cent funding cut, and could no longer campaign effectively for Brazil's estimated 250,000 Indians.

The cuts put in jeopardy a programme to demarcate Indian reserves, which Funai must legally complete by November 1993.

Mr Possuelo said the agency had received only 6 per cent of the estimated $110m cost of the project. Only 197 reserves had been demarcated so far. "We will not be able to reach our targets," he said.



Ashley Ashwood

Sidney Possuelo, chairman of Brazil's agency for Indian rights

Demarcation of Indian areas is necessary to prevent intrusion by wildcat miners, who bring disease, and developers. Funai's power to defend Indian tribes is also being threatened by a bill in Congress backed by the powerful anti-Indian lobby of forestry and mineral exploration companies.

The bill, if passed, will severely reduce Funai's control over demarcation. "They are trying to devalue the presence of Indian people intheir own land," said Mr Possuelo.

Argentina picks its way through pension maze

John Barham on a scheme to introduce private funds

EVERY Wednesday about 500 pensioners gather outside Argentina's Congress to protest about their pitiful benefits and demand more money, only to face riot police, dogs and, on some occasions, armoured vehicles.

Militant pensioners have tried storming the Supreme Court and one has threatened to burn down Congress.

The plight of Argentina's 4.2m pensioners has become a political issue that makes the government appear indifferent to the social costs of economic reform.

Private pensions were seen as a way out of the dilemma. As well as ridding itself of costly, corrupt and insufficient state schemes, the government hoped such pensions would improve companies' competitiveness by reducing payroll taxes and breathing life into capital markets.

Argentina aimed to have its private scheme in place by January, but trade union and Congress opposition has delayed approval all year. Yesterday, however, Economy Minister Domingo Cavallo said he was confident a tripartite council from government, trade unions and business would agree a compromise version that would ensure congressional approval before Christmas.

Mr Walter Schulthess, social security secretary, promises: "There is going to be a total transformation of the pensions system in Argentina."

He has designed a hybrid scheme retaining some features of the state-run pay-as-you-go system while copying features of a scheme operating in Chile and introducing a mechanism to tide over existing contributors.

Initially the state will pay out a minimum benefit equivalent to about 20 per cent of the economy's average wage to all who have contributed to pension funds for at least 30 years. Those who have contributed for longer than this will get a 2 per cent annual premium for each year over the 30-year limit.

The state will also compensate people who are already paying into the state system with a credit equivalent to 2 per cent of the economy's average wage for each year's contribution, with an upper limit of 30 years.

Thus, contributors to the old system will be entitled to benefits equivalent to 60 per cent of the average wage when reaching the retirement age of 65, plus an automatic minimum benefit of 20 per cent of average wages. These two state-run schemes will be funded by a 16 per cent payroll tax paid by employers plus a fixed slice of tax revenues.

Finally there is a compulsory private pension fund scheme similar to Chile's, funded by a 10-11 per cent wage deduction. Employees will channel the money directly to a savings account held at a pension fund company. Contributors will be free to pick and choose among competing funds, creating competitive pressure to provide good service.

Mr Schulthess promises the private system will be "strongly supervised by totally independent regulators, since there will be strict norms on where funds can be invested, that stipulate maximum amounts that can be invested in each instrument." Compulsory credit ratings, both of companies issuing paper and of each fund's investments, will limit the scope for fraud.

The government will also create several reserve and emergency funds topped up by the management funds themselves. Part of the money will come from a mechanism limiting profits.

Any fund that yields 30 per cent over the pension system's annual average yield will have to pay excess profits into the reserve funds, a sure way of discouraging high-yielding but risky investments.

If there is a weakness in the system, it is regulation; Argentina has an atrocious record of corrupt and incompetent state supervision and private-sector fraud.

Chilean human rights group ends its watch

By Leslie Crawford in Santiago

CHILE'S best-known human rights organisation, the Catholic Church's Vicaria de la Solidaridad, closes its doors today after dedicating 16 years to the defence of victims of political repression.

Monsignor Sergio Valech, the Vicaria's last head, said: "The task is not finished. But the church believes it is now the duty of civilian society to safeguard the basic principles of human rights that it once lost."

While the closure of Vicaria, which won the UN peace prize in 1978, reflects the respect for human rights in Chile today, it also underscores difficulties in dealing with the legacy of the past. The Chilean military enjoys effective immunity from human rights violations committed during Gen Augusto Pinochet's rule. It has refused to disclose the fate of some 900 detainees who "disappeared" under arrest.

The International Commission of Jurists in Geneva this week urged Chile to prosecute military and police officials accused of torture and murder. It criticised President Patricio Aylwin's government for abandoning the pursuit of justice for the sake of political stability.

Guatemala-Belize accord backed

GUATEMALA'S Congress has cleared the way for the resolution of a 130-year-old territorial dispute with Britain and Belize, in which Guatemala was claiming the former British colony with which it has a common border, writes Canute James.

Guatemalan legislators have ratified a recent ruling by a constitutional court supporting the decision of President Jorge Serrano to recognise Belize's political independence and to establish diplomatic ties between the two countries.

The decision by the Congress is likely to end the dispute, although a referendum must be held in Belize before the treaty is ratified. Repeated indications over the past two decades that the Guatemalan military might invade Belize in pursuit of their territorial claim led to the stationing of a 1,500-member British garrison in Belize.

However, the 78-34 vote by Congress is likely to anger sections of the Guatemalan military and political right.

NEWS: UK

Disputes could hamper Sunday trading policy

By David Owen

LEGISLATION to allow British retailers to open seven days a week could be hampered by disputes over employee rights, it emerged yesterday as the government unveiled its plans to reform Sunday trading in England and Wales.

Mr Kenneth Clarke, home secretary, pledged that the legislation would contain government clauses to provide protection for "existing" shopworkers from being compelled to work on a Sunday.

But he avoided demands from the opposition Labour party that protection should additionally be given to future employees who objected to Sunday working. His "instinct" would be not to aim at a set of regulations applicable solely to those employed in shops, he said.

Before voting on the legislation, MPs will be offered a choice between a set of options for Sunday shopping ranging from out and out deregulation to a tightening of existing laws.

It remains uncertain whether the legislation will come before the House of Commons in the present parliamentary session. The drafting of legislation must await a decision by the European Court on whether the present law was overridden by the free-trade articles of the Treaty of Rome.

Mr Clarke said yesterday that this ruling was now unlikely to be available before January.

The government has been committed to reform of the Sunday trading laws since 1987 but has been reluctant to legislate after its last attempt was defeated by a Conservative backbench rebellion in 1986.

For Labour, Mr Tony Blair, home affairs spokesman, welcomed the proposals if handled in a "sensible" manner and said the challenge was to present "a lasting reform" which ended "the present deregulation through anarchy."

The "nub" of the issue was whether all employees – present and future – would be subject to the voluntary principal and entitled to premium payments for Sunday working.

"There are many inside and outside this House who believe that people should have greater freedom to shop on a Sunday provided that 'open on a Sunday' for us does not mean 'exploited on a Sunday' for those who will work in the shops that serve us," he said.

Top government officials challenged on morality

BRITAIN'S top government officials were yesterday accused of low standards of performance, weak accountability and dubious morality writes John Willman.

Mr Graham Mather, president of the European Policy Forum, told a Conservative Political Centre conference that recent policy problems over the handling of the British economy, Iraqgate, pit closures and education statistics had been blamed on ministers.

The doctrine, however, of ministerial responsibility allowed Whitehall to escape the blame for "decades of systematic policy failure under politicians of all colours: in British education, for example, and until the early 1980s in nationalised industry and industrial relations. In document after document, one characteristic attribute of the Whitehall mind peeps through: a preparedness to operate within half an inch of direct lies in order to conceal unsatisfactory policy decisions, and preparedness to engage in manoeuvres which would be regarded with contempt if exposed to outside inspection".

Japanese plants to boost UK car output

By Kevin Done, Motor Industry Correspondent

UK car production will begin to rise strongly next year, as two new Japanese car plants come on stream, and the UK market starts a slow recovery from three years of recession.

According to the latest forecast by the Society of Motor Manufacturers and Traders (SMMT) UK car production will rise from 1.25m in 1992 to 1.4m next year, an increase of around 12 per cent, and will rise further to 1.5m in 1994.

The SMMT suggests UK new car demand will begin to pick up in 1993 from the deep recession of the last three years with sales rising to 1.62m in 1993 and to 1.75m in 1994.

UK new car sales peaked in 1989 at 2.3m but have fallen by around a third in the last three years to 1.59m last year and to around 1.56m this year.

The SMMT also expects demand for new commercial vehicles to begin to recover next year.

Demand is forecast by the SMMT to recover to 35,500 in 1993, with a further rise to 41,400 in 1994.

UK car output has performed relatively well during the recession with much higher production for export markets largely making up for lower output for the home market.

Production fell by only 4.8 per cent from the peak of 1.3m in 1989 to 1.24m in 1991, despite a 30.9 per cent fall in UK new car sales in the same period.

UK car production is now set to rise significantly throughout the 1990s largely as a result of the three new car plants under development by Nissan, Toyota and Honda.

● Further support for cautious optimism in the motor trade came yesterday in statistics released by HPI, the vehicle credit information agency. The figures show third-quarter sales of both new and used vehicles bought on credit recovering from a steep slump recorded in the first half of this year and the final quarter of 1991.

Employers expect sharp fall in manufacturing

By Emma Tucker, Economics Staff

MANUFACTURING output is expected to deteriorate sharply over the next four months, in spite of a small improvement in order books this month, the Confederation of British Industry (CBI) reports today.

The gloomy prospects for the UK economy in the latest monthly survey of manufacturing trends by the employers organisation, coincides with its new forecasts for the whole economy.

These point to a slow, uninspiring recovery starting in the Spring of next year. Growth for the year as a whole will average only 0.7 per cent.

Output will accelerate to an average annual growth rate of 2.3 per cent in 1994, thanks to an improvement in UK competitiveness and a recovery in world markets, but this will not be strong enough to dent the rise of unemployment. The CBI expects unemployment will rise to 3.1m by the end of next year and to 3.2m by the end of 1994.

Inflation will gradually pick up, but with the recovery still modest, the underlying rate will remain within the chancellor's targets of 1-4 per cent by the end of 1994. House prices will stabilise over the next two years.

The November monthly trends survey, which questioned 1,421 companies before the Autumn Statement this month, shows that total order books improved slightly this month, compared with October.

The outlook for exports was not encouraging. In spite of the recent devaluation of sterling, making UK good cheaper, export orders deteriorated this month. Half the companies surveyed described export order books as below normal, against only 11 per cent that said they were above normal. This was the worst result, apart from January, since 1983.

The CBI said it was too early for the devaluation to have made its full impact on exports, and said the drop in orders also reflected weaker European economies.

Stocks of finished goods remained high in November. Only 5 per cent of companies considered their stocks to be less than adequate while 27 per cent said they were too high in relation to demand. The balance of 22 per cent is the highest since August.

The CBI has made only small changes to its forecasts for the economy since August, even though monetary policy has eased considerably since then as a result of the UK's departure from the European exchange rate mechanism.

The CBI said the stimulating influence of base rate cuts was off-set by weak domestic demand. This left the forecasts broadly unchanged.

It expects base rates to drop to 6 per cent early next year, and to remain at that level until the second half of 1994.

The deficit on the current account will widen to 16.7bn next year, but will narrow slightly in 1994 to £16bn, about 2 per cent of gross domestic product.

Looking to the future: BBC chairman Marmaduke Hussey at yesterday's press conference on the prospects for UK broadcasting

BBC launches its vision of the future

By Raymond Snoddy

THE BBC has reconciled itself to having approximately one third of broadcasting funding and attracting one-third of the audience in radio and in television by the end of the decade, as commercial broadcasting expands through cable and satellite, it emerged yesterday.

Launching the BBC's vision of its future, Mr John Birt, who becomes director general next month, said the plan was a realistic assessment of what was likely to happen. "The average British household will still watch or listen to BBC services for something like 24 hours a week. The BBC in the late '90s will continue to be a significant and positive force in everyday life in Britain."

Flanked by Sir Michael Checkland, the out-going director general, and Mr Marmaduke Hussey, the BBC chairman, Mr Birt outlined the document Extending Choice – The BBC's role in the new Broadcasting Age.

The main changes will be in the type of programme offered, the efficiency with which they are made and the Corporation's accountability to the audience in everything it does.

Because all households pay the licence fee the BBC will continue to serve all groups and work in all programme areas. But increasingly it will seek to complement commercially-funded broadcasting by providing services which will be put under pressure or not provided in a more competitive broadcast market.

The BBC, Mr Birt said, would stick to its traditional task of providing a rich mix of programmes which entertain, educate and inform.

The BBC will set itself four roles to complement the commercial sector:

● Providing comprehensive and impartial news and information across a range of broadcasting outlets, with serious information programmes staying in prime time slots.

● Supporting and stimulating the development and expression of British culture and entertainment.

● Guaranteeing the provision of programming and services that create opportunities for education.

● Stimulating the communication of cultures and ideas between Britain and abroad.

Mr Birt promised that the future BBC would be a "lean, efficient, enterprising, unbureaucratic BBC," dedicated to quality.

Credit card leaks lead to inquiry

By John Gapper and Ivo Dawnay

THE DATA protection registrar launched an inquiry yesterday into security at National Westminster Bank's Access credit card subsidiary after apparent details of the card debts of Mr Norman Lamont, the chancellor of the exchequer, were published in The Sun newspaper.

The newspaper alleged that Mr Lamont had received five legal warning letters for failing to make regular payments on his Access card, and had overspent his £2,000 credit limit.

The claims were not denied by the Treasury or Downing Street, but they provoked protests from senior Tories at the intrusion into Mr Lamont's personal affairs. They also sparked an internal investigation by National Westminster.

Opposition Labour MPs could barely disguise their delight at the disclosure, with several asking how the chancellor could be expected to keep the nation's accounts in order if he was unable to keep track of his own.

Mr Eric Howe, the data protection registrar, said he was investigating the incident under the 1984 Data Protection Act. If the bank or any of its employees are found to have breached the act, they could face an unlimited fine in the High Court.

Size of royal fortune taxes revenue service

By Richard Evans and Philip Coggan

THE QUEEN'S tax bill is impossible to estimate accurately because so much secrecy has traditionally surrounded her accounts.

Her personal fortune is put at between £50m and £6.5bn according to recent unofficial estimates. That range is due to lack of information and whether the value of palaces and paintings are included.

The Queen has three primary strands of income:

- Income from her personal wealth, which reliable sources say could be around £50m. It is already clear that this will be liable to income tax at up to 40 per cent, and capital gains tax.
- The civil list settlement presented to parliament in 1990 which ensures an income of £79m between 1990 and 2000, rising by 7.5 per cent a year to take care of inflation. The Queen's share of the civil list payments are approximately £9m. This is not taxed at present, and will not be under the new regime, as it is regarded as money to fund the Queen's function as head of state.
- The most complex area of the privy purse which covers a mix of public and private functions, part of which will probably be taxed. The dividing lines are still to be worked out by the Queen's advisers and the Inland Revenue.

The proposed changes will effectively mean that the only members of the royal family funded directly by the taxpayer will be the Queen, the Duke of Edinburgh and the Queen Mother. Others will still receive money from the civil list because they perform public duties, but much more will be repaid in future.

The new arrangements, which should be finalised in the new year ready to be introduced at the start of the next tax year in April, follow growing unease that the monarch pays no personal taxes.

Increasing public clamour over the royal family's financial arrangements has come to a head following a succession of royal scandals and the disclosure this week that the taxpayer is to foot the bill for the fire damage at Windsor Castle, which could reach £60m.

The Queen would presumably be entitled, like any individual, to a personal allowance of £3,445. After that, the first £2,000 of her income would be taxed at 20 per cent, and the next £21,700 at 25 per cent. Everything else would be taxable at the top rate of 40 per cent. Dividend payments are normally taxed (at basic rate) at source and the Queen has presumably been reclaiming the tax credit to date. It accordingly would be quite easy to collect the tax on her investment income.

Some estimates have put the Queen's private wealth at as much as £3bn. In his book Royal Fortune: Tax, Money and the Monarchy, Philip Hall estimates a more conservative figure for investments of £341m, and annual income of £18.4m. On that basis, the Queen's tax bill would be just under £7.35m a year.

Then there is the Queen's rental income from her estates, possible liabilities on perks such as rent-free accommodation, capital gains tax on art disposals and inheritance tax.

Palace officials have previously justified the fact that the Queen has paid no taxes on the grounds of tradition. According to Buckingham Palace, "taxes are levied in the Queen's name and therefore it would not be appropriate for the Queen to pay taxes".

The Queen pictured early in her reign in 1953 with Prince Charles and Ann, the future Princess Royal

Government to push ahead with EC treaty

By Ivo Dawnay, Political Correspondent

THE GOVERNMENT yesterday honoured its pledge to resume work on the Maastricht treaty before the Edinburgh summit on December 11 and 12 by declaring that the so-called committee stage, when the legislation will be examined in detail, will begin next week with two days of debate.

But even before the official announcement, a fresh rallying call was issued to Euro-sceptics by Lady Thatcher, the former prime minister, in a speech in Germany which was released at Westminster yesterday.

Addressing an audience of bankers and politicians in Frankfurt, Lady Thatcher praised the monetary rigour of the Bundesbank while also applauding the UK government for adopting an independent economic policy after the sterling devaluation of September 16.

Mr John Major told the House of Commons yesterday that he expected France to reconsider its threatened use an EC veto on the draft farm deal agreed by the European Community and the US.

The prime minister predicted a change in French attitudes once the negotiations on Gatt (General Agreement on tariffs and Trade) had been successfully concluded to include areas of trade outside the agricultural sector. He said: "Liberalisation of trade is a very valuable prize for the French economy." Mr Major, who urged unity on Gatt, described the farm deal as being good for the entire EC and world trading community. British business, he added, now had the opportunity to exploit a single market of some 340m people following the averted trade war with the US.

He claimed UK manufacturers would benefit from low inflation, the lowest interest rates in the EC and an "extremely competitive exchange rate".

She also backed German opponents of any dilution of the D-Mark in a unified European currency, described Economic and Monetary Union as a federalist project and warned: "Scepticism is on the increase."

At Westminster, Mr Tony Newton, the Leader of the House, said the government would press on with a debate in the Commons next week but ministers have acknowledged that the process could continue at least until the end of May.

Mr Newton assured pro-Maastricht MPs that plenty of time would be given to the bill to ensure adequate debate of amendments calling for changes in British policy on the treaty.

The limited two-day start to the ratification process, with no further dates yet set, underlines the government's determination to play the process low-key and long.

Further discussion of the legislation may not begin until the House of Commons returns from its Christmas recess in mid-January.

In Whitehall, meanwhile, attention is now firmly fixed on the run up to Edinburgh and preparation of the fine detail of the summit's business-packed agenda.

Ministers have made clear that the British presidency hopes to use the meeting to reach broad conclusions to key questions such as treaty modifications for Denmark, the future financing of the European Community and provisions to give clearer definition to the concept of subsidiary – the devolution of power to the lowest appropriate authority.

Britain in brief

Tax ruling preserves job 'perks'

Tens of thousands of employees have had their benefits at work saved by a landmark ruling against the Inland Revenue from the House of Lords.

The decision will allow many companies to structure benefits without fear of incurring additional costs. Many have delayed tax planning while awaiting the judgment.

The case, Pepper v Hart, concerned the reduced fees paid in 1983 for their own children by 10 teachers at Malvern School, but it had enormous implications for many employers offering benefits to their staff. Those affected would have included those with subsidised canteens, sports facilities or travel, and those able to buy goods at a discount.

Council tax estimates

Council tax bills ranging from about £300 to more than £1,000 per household in England next year were in prospect yesterday, following the release of detailed figures for local spending by Mr Michael Howard, environment secretary.

Mr Howard said that for first year of the property-based council tax, his department had made its calculations on the basis of a £439 council tax bill for a property worth between £52,000 and £68,000, if the council spent in line with government assumptions.

Switch from rail to road

Blue Circle and Castle Cement, two of British Rail's biggest freight customers, said they were switching nearly 500,000 tonnes of freight a year from rail to road because of price increases imposed by BR.

The move will result in an extra 20,000 road journeys a year by fully-laden 38-tonne articulated lorries. Other rail-freight customers say they are considering similar moves.

News of the switch came as Charterail, the pioneering private sector railfreight distributor which ceased trading in August, announced it had gone into liquidation with the loss of 120 jobs. Charterail accused BR of prompting its collapse by charging too much for the use of locomotives and tracks.

House builders optimistic

British house builders have become more optimistic about prospects for a recovery in housing sales next year, according to a survey published yesterday.

In the survey from the House Builders Federation, 43 per cent of builders questioned just before the Autumn Statement said they expected to sell more homes next year. Another 27 per cent expected sales to remain steady. Interest rates have fallen further since the survey, making house prices the cheapest they have been in real terms for more than a decade, the federation said.

Review denied

The Court of Appeal has refused the application by Virgin Atlantic and British Midland, two independent UK airlines, for judicial review of the government's decision not to refer the British Airways takeover of Dan-Air to the Monopolies and Mergers Commission. The court will give its reasons next week.

Limited use of merit pay

Individual performance-related pay is not "trickling down" to manual workers as much as had been supposed and employers are sticking to collective, output-related schemes, according to a report by Industrial Relations Services.

Despite widespread use of individual merit-based pay for clerical and professional staff, a survey by IRS found only 12 per cent of employees covered by individual merit pay are manual workers.

Project hit by safety protest

Work on the £800m Enron project, the world's biggest gas-fired power station, was largely at a halt due to the third protest stoppage in seven weeks over safety standards at the Teesside, north-east England site.

Around 1,000 construction workers remained on site as union officials, Enron management and a Health and Safety Executive representative held discussions. The protest followed an incident on Tuesday in which seven men accidentally inhaled gas.

Steel interest from Indonesia

British Steel is in negotiations with an unnamed Indonesian company for the sale of plant and equipment from the Ravenscraig steelworks in Scotland, which closed in June with the loss of 1,200 jobs.

The potential purchaser would transport the equipment to Indonesia to make steel for the Far Eastern market, expected to be the most important growth area in the world steel market over the next few years. Reports that steel from the resited plant would be exported back to the UK were being discounted yesterday.

Watchdog deputy quits

Mr Kit Jebens, chief executive of Lautro, the self-regulatory body for the life insurance industry, said he had accepted the resignation of his deputy after she had publicly expressed doubts about plans to reform regulation.

Ms Julia Leisching, chief policy and administration officer at Lautro, wrote to Mr Jebens last week and said she would resign rather than work for the proposed Personal Investment Authority, which is to replace Lautro.

In her letter, Ms Leisching said: "There is a grave risk that what should be the main agenda item, investor protection, is being marginalised by the interests of the various industry groups."

Seoul subway developments

A £46m contract to supply the automatic fare collection system for three new subway extensions for the Seoul Metropolitan Government (SMG) in Korea has been awarded to THORN TRANSIT SYSTEMS INTERNATIONAL (TTSI) of Wells, England.

Under the contract TTSI will equip 109 stations on the new lines 5,7 and 8 – line 5 is to go into service in 1994 with lines 7 and 8 following later.

The computer controlled automatic fare collection system will use magnetically-encoded tickets to operate high capacity entry/exit gates. TTSI will supply over 1,000 ticket vending machines, 181 ticket office machines and 1,200 gates.

Much of the equipment will be manufactured in Korea by a local company. The locally manufactured content will increase progressively and eventually include the transfer of electronics technology. Delivery to SMG will commence late 1993 and continue for 18 months to two years.

Traffic on the existing lines of the Seoul metropolitan subway has increased by over 50 per cent since 1988. Passengers currently total 3.6m a day and are increasing.

Developing new propeller system

DOWTY AEROSPACE PROPELLERS, part of Dowty Group, has been selected to develop the propeller system for the Hercules II, Lockheed's new military and civil transport aircraft. The programme is expected to exceed 500 aircraft and Dowty's sales are estimated to be worth over US$300m (£199m).

The contract is for design, development and initial production for delivery in 1995. Full production is then expected to continue through till 2010.

The Hercules II, Lockheed's new generation Hercules, is expected to replace in the first instance models of its predecssor delivered prior to 1975. Over 2,000 of the original Hercules have been produced, making it one of the world's most successful air transporters.

£50m business centre in Prague

Two major contracts have been won by the Prague-based construction management specialist BOVIS CZECHOSLOVAKIA A.S.

In the Nove Butovice district of Prague, Bovis is to manage the design, preconstruction and construction management of a £50m business and retail centre for the international developer Amczech Holdings.

The four-phase project includes a large hotel, offices, shops and car parking.

Construction work will begin in mid-1993 with completion in three years.

At Chodov, on the outskirts of Prague, Bovis will start work in December on a £6m 200-bedroom motel, filling station and car service centre for the Czech subsidiary of the Italian company AGIP.

Bovis is managing the design, pre-construction and construction management of the project. It is Bovis's second award from this client.

Building sea defences in Dominica

LG MOUCHEL & PARTNERS has been appointed by the Government of Dominica to carry out the detailed design and supervision of construction of sea defences at six locations around the island of Dominica, covering about four kilometres.

The appointment follows a feasibility study, funded by the Overseas Development Agency, which Mouchel completed 18 months ago. The funds for this project, which is expected to cost in the region of £6m, have been provided by the Caribbean Development Bank.

The design phase will extend to one year during which survey work will be carried out on site and preliminary designs drawn up. Physical model studies will be undertaken by an international testing laboratory following which detailed designs and contract documentation will be prepared.

Mouchel will also be examining the availability of local materials including armour rock, to be used on the project and will be investigating potential quarries. Work on site is expected to begin within 12 months.

The need for strengthening the sea defences around the island has arisen as a result of the damage caused by two major hurricanes which have hit the island during the last 15 years.

Supplying mining equipment to China

BECORIT, a unit of NEI Mining Equipment, has won two contracts together worth more than £7.5m to supply mining equipment to the People's Republic of China.

The first contract, won in conjunction with the Anderson Group of Motherwell, is for heavy duty armoured face conveyors, stage loaders and crushers.

They will be supplied by Becorit from its Ilkeston factory.

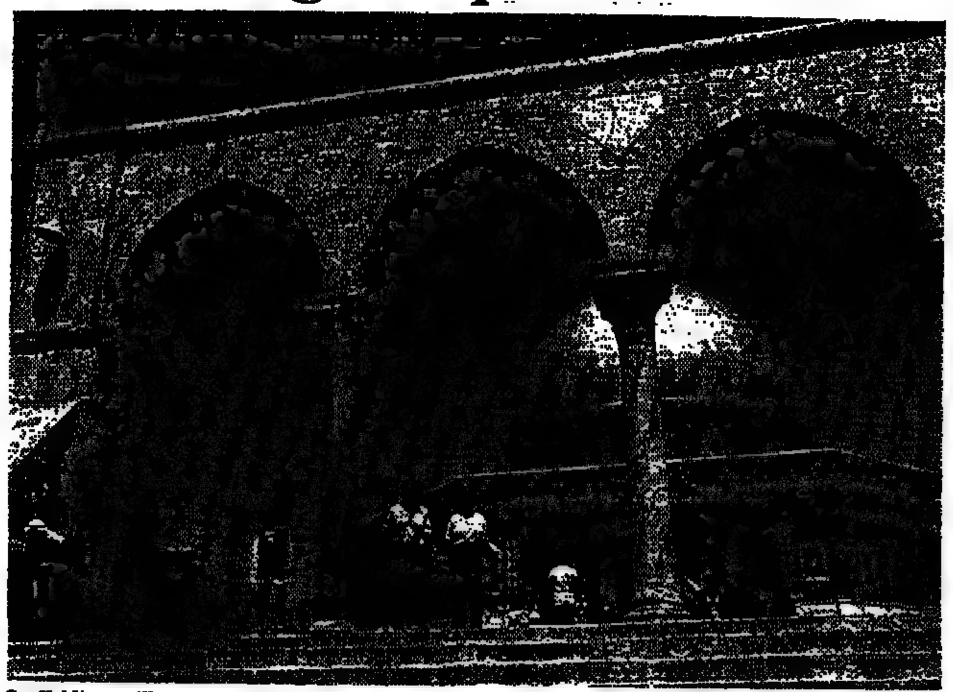
In addition two other units of NEI Mining Equipment will supply equipment as part of the same contract: Baldwin & Francis, of Sheffield, will supply electrical switchgear; and DAC, of Burton upon Trent, will supply coal face signalling equipment.

The contract was placed by the China National Technical Import and Export Corporation on behalf of the Luan Coal Mining Bureau of Shanxi Province.

All the equipment is due to be supplied to the customer's new Changcun coal mine during the second quarter of 1993.

The second contract, also for the Changcun coal mine, is an extension to a previous project awarded in 1990 for a monorail transportation system.

Renovating mosque in Jerusalem



Scaffolding will go up around Jerusalem's Dome of the Rock mosque *(pictured above)* in the next two weeks.

The Ireland-based MIVAN OVERSEAS, which is renovating the mosque at Islam's third holiest site, will use two 150 ft high (45 metre high) cranes to erect scaffolding which will dominate the Jerusalem skyline.

Mr Johnson, the company's managing director, said the highlight of the renovations would be replacing the dome's painted aluminium cover with brass sheeting and gilding it with US$1.5m (£987,000) worth of 24 carat gold.

The dome's coating will be stripped and replaced in May as part of the US$5.8m (£3.8m) contract signed by the private company with Jordan's religious affairs ministry in July.

The building will be waterproofed to protect seventh century mosaics endangered by leaking water.

King Hussein, traditional custodian of Jerusalem's holy places, has pledged US$8.5m (£5.6m) of his own money to renovate the mosque on the site where the prophet Mohammad is believed to have ascended to heaven.

The Saudi royal family, custodian of Mecca and Medina, had vied with the king to pay for the renovation.

Communications on the trading floor

Chicago Board Options Exchange (CBOE) has signed a contract to purchase the Exchangefone II voice communications system from IPC INFORMATION SYSTEMS.

The Exchangefone II is a Centrex/PBX compatible system designed specifically for the trading environment of options, futures and stock exchanges.

The contract is for 1,000 Exchangefone II handsets. The stainless steel, heavy gauge exterior casing provides durability and protection for internal parts. Its hard shell and reinforced handset cord have undergone a series of tests to ensure that it can withstand the environmental stress of high pressure open outcry trading.

Each telephone has 32 line/feature select keys and two handsets, each with its own digital tonepad, function keys and display window. Using the alternate talk path (ATP) mode, calls can be placed and received from both handsets with access to all 32 keys. Traders can conduct two totally separate conversations simultaneously with lines and features available from either handset. In the dual mode, Exchangefone II functions as two independent phones with a maximum of 16 lines accessible from each side of the phone.

The Exchangefone II has a robust feature set geared towards the tight integration of Centrex and PBX features. The support and integration of these features accommodate the end user's need for speed, efficiency and reliable operation.

Fitting out luxury yacht in Germany

ASHBY & HORNER JOINERY has been awarded an £840,000 fitting out contract by the German company Lurssen Yachts of Bremen.

The contract is to fit out the crew's and officers' sleeping quarters, rest and lounge areas, gymnasium and steam room, aboard a private luxury yacht being built in Bremen.

It will be a turnkey operation with Ashby & Horner providing a comprehensive service of design, manufacture and installation including joinery, furniture & fittings, wall and ceiling coverings, electrical fittings, carpets, flooring, and soft furnishings. Jon Bannenberg is the project designer.

Water supply plan

LOGICA has been chosen by the Water Board, which serves four million people in and around Sydney, Australia, to supply a monitoring and control system which will improve the Board's water operations and assets management.

The company has been awarded a A$27m (£12.2m) contract for IICATS, the Water Board's integrated instrumentation control, automation and telemetry system.

When the system becomes operational in 1995, it will enable the Water Board to manage assets such as reservoirs, water mains and sewers more effectively. Flow management will also be improved so that the Water Board can rapidly identify sewer outflows in order to control pollution.

Rainmaking in Greece

Greece has signed a US$1.5m (£987,000) contract with US rain makers to try to end its worst drought in decades.

EYDAP, the state water company, has placed a six-month contract with NORTH AMERICAN WEATHER CONSULTANTS to bombard clouds with chemicals over the Mornos reservoir, which feeds the capital with water from the north.

The water supplies for Athens' 4.5m people are expected to last only until mid-February if it does not rain.

A study by the Athens Polytechnic School showed rainfall in the capital has decreased by 21 per cent over the past 70 years while in other parts of the country rainfall is down by as much as 40 per cent.

Since taking power in April 1990 the government has increased water charges by 300 per cent, which has helped cut consumption by 15 per cent. It has also spent US$11m (£7.23m) on repairs to the water distribution network.

Office project in Berlin

A scheme by Louisa Hutton and Matthias Saxuerbruch, of LHMS ARCHITECTS, has won the competition to design an extension for the 16-storey 50s office tower headquarters of the housing society, Gemeinnützige Siedlungs-und Wohnungsbaugesellschaft Berlin (GSW).

The development at Kochstrasse, Kreuzberg, Berlin is one of the first post-unification proposals for the historic centre. Building costs are estimated at £37m and building works are due to commence in autumn 1993, with Ove Arup & Partners as consulting engineers.

The brief called for a new structure, providing an extra 19,000 sq metres gross floor area for offices and shops. The winning scheme responded with "Green Architecture" that reflects the architects' desire to challenge the use of conventional technology and resources.

The application of new and known technologies in GSW's scheme facilitates ventilation and maximises the use of natural daylight, encouraging a low-energy existence within the building and the reduced emission of CFCs.

The scheme's intention is to continue the original post-war attitude of green open spaces for Kreuzberg district by offering two publically accessible green squares, while respecting the eighteenth century street grid-plan. In addition, it allows for extension on every floor, a low-rise building along Kochstrasse with public facilities, and a covered public space between it and the existing tower.

LHMS Architects is a London-based, Anglo-German partnership founded in 1988.

Natural gas storage study

BRITISH GAS has secured a contract with Pakistan's Ministry of Planning and Development (Planning Commission) for a natural gas storage study. The US$700,000 (£464,000) contract will involve carrying out a technical evaluation of the potential for storage of natural gas in the depleted Dhulian oilfield in the Potohar region.

British Gas will compare this development with other options with a view to matching available gas supply to demand.

Thousands of people die every year from infections that resist antibiotics. **Clive Cookson** continues a series on drug discovery by looking at new ways of killing germs

Stalking the enemy within

Infectious diseases are re-emerging as a serious threat to health in advanced industrialised countries, the US National Academy of Science's says in an alarming new report. A particular cause for concern is the growing resistance of microbes to antibiotic drugs.

The NAS report follows a series of calls by American microbiologists and epidemiologists for an end to the "era of complacency" about infectious illnesses.

"The medical community and society at large have tended to view acute infectious diseases as a problem of the past," said Robert Shope of Yale University. "But that assumption is wrong. We claimed victory too soon."

The drugs industry is listening to such views – and is attracted by the growing commercial potential of antibiotics. Their sales are now accelerating fast, after a sluggish spell in the 1980s. Stewart Adkins, a pharmaceutical analyst at Shearson Lehman, estimates that the worldwide market for antibiotics was worth $20bn (£13bn) last year, 12 per cent up on 1990. "Drug resistance is the key driver of the market," he said.

Soon after penicillin came into use in the 1940s, microbiologists began to find resistant strains emerging, as a simple result of selective evolution. If any bacteria survive a course of antibiotic treatment, they will be the ones with natural resistance, while their more susceptible sisters are wiped out.

However, pharmaceutical researchers managed to avert a penicillin resistance crisis by discovering new classes of antibiotics –

All over the world, people are dying as a result of infections which do not respond to any of the 160 different antibiotics on the market

cephalosporins, tetracyclines, aminoglycosides, carbapenems – which doctors could use instead.

As bacteria became resistant to one drug, doctors could prescribe another. But for some bacteria, this approach has come to the end of the road. All over the world, people are dying as a result of infections which do not respond to any of the 160 different antibiotics on the market.

The problem has been exacerbated by excessive use. Although antibiotics attack bacteria rather than viruses, there are still many doctors willing to prescribe broad-spectrum antibiotics to patients with ill-defined symptoms that are almost certainly viral in origin. And the veterinary industry has contributed by dosing farm animals with unnecessary antibiotics.

Estimates of the total cost of antibiotic resistance in the US range up to $30bn a year. Organisms in which resistance is a serious problem include *Streptococci, Staphylococci, Enterococci, Pseudomonas, Mycobacterium tuberculosis* and many others. They cause a horrifying range of diseases, from pneumonia to meningitis.

People are most likely to fall victim to a resistant organism when they go into hospital. In the US, 5 per cent of patients – some 2m people – pick up infections they did not have when entering hospital, and more than 20,000 of them die every year, according to the NAS report. "Every year, hospital-acquired infections account for between $5bn and $10bn in additional medical-related expenses."

Meanwhile, drug companies continue to develop novel antibiotics for use against microbes that are resistant to the old ones.

Several promising newcomers come from Japan. Lorabid, discovered by Kyowa Hakku and just launched in the US by Eli Lilly, is the first in a new class of oral antibiotics with a broad spectrum of activity, the carbacephems. Pharmaceutical analysts say Lorabid could be a $1bn-a-year blockbuster for Lilly, the leading US antibiotics manufacturer.

In the UK, ICI has high hopes for meropenem, discovered by Sumitomo and developed as an Anglo-Japanese collaboration. Meropenem – due to be launched in Europe in 1994 – belongs to a related class of antibiotics, the carbapenems, which also have a very wide range of antibacterial activity.

But SmithKline Beecham, the Anglo-US group, has taken the lead in tackling resistance head on. Bacteria protect themselves against many antibiotics by producing an enzyme called beta-lactamase which destroys the antibiotic before it has a chance to destroy them. After a long search SB found a substance, clavulanic acid, which inhibits the production of beta-lactamase in bacteria.

SB combined clavulanic acid with amoxyllin, a well-established derivative of penicillin, to create Augmentin. Augmentin cures a wide range of infections that are resistant to amoxyllin itself and its sales are rising rapidly. This year or next, Augmentin is expected to overtake Lilly's Ceclor and become the world's best-selling brand of antibiotic.

World sales of top 10 antibiotics

1991 estimate

Product	Originator	Principal brands	$bn
Ampicillin	SmithKline Beecham	Many	2.00
Amoxicillin	SmithKline Beecham	Many	1.40
Cefaclor	Lilly	Ceclor	1.10
Amoxicillin-Clavulanic acid	SmithKline Beecham	Augmentin	0.90
Ciprofloxacin	Bayer	Cipro	0.85
Ceftriaxone	Roche	Rocephin	0.80
Erythromycin	Abbott	Many	0.80
Cefuroxime	Glaxo	Zinnat/Zinacef	0.65
Cefalexin	Lilly	Many	0.60
Ceftazidime	Glaxo	Fortaz	0.60

Source: Michael Barber & Associates

According to SB, no resistance to Augmentin has yet emerged. But the drug is by no means powerful enough to deal with all bacteria, and SB scientists are developing other combinations of antibiotics and beta-lactamase inhibitors, which promise to be more potent and wide-ranging.

At the same time, several small pharmaceutical and biotechnology companies are working on more radical solutions to the resistance problem. They are using natural peptides – small protein molecules produced by living creatures such as frogs, insects and bacteria themselves as a chemical defence against microbes – as a basis for developing alternative bacteriocidal drugs.

These peptides, which go by various names such as bacteriocins, magainins and cecropins, work in a quite different way to conventional antibiotics. They kill bacteria by "punching holes in their cell walls so that their guts spill out," as David Guttman, chief executive of Applied Microbiology, puts it. It is far more difficult for bacteria to evolve resistance to this external attack than to antibiotics, which interfere with their inner workings.

Applied Microbiology, a biotechnology company based in New York, is developing drugs based on nisin, a peptide produced by *Lactococcus* bacteria in milk to kill off competing microbes. Nisin is manufactured in the UK by Aplin & Barrett – now owned by Applied Microbiology – and has been used as a food preservative for 30 years without any resistance emerging.

By combining nisin with chemicals known as chelating agents, scientists at Applied Microbiology have created powerful drugs with a broad spectrum of anti-bacterial activity. One target is *Helicobacter pylori*, an important cause of peptic ulcers.

Magainin Pharmaceutical, based in Pennsylvania, is focusing on defensive peptides which frogs secrete from their skins. The company's first magainin drug, a topical antibiotic for skin infections, started human clinical trials last month.

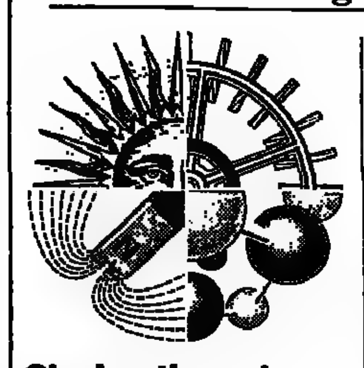
In the UK, Proteus is using computer-aided molecular design techniques to change the structure of the peptides, so as to make them more potent and longer-lasting than the natural chemicals. Its drugs have shown promise in laboratory tests but are not yet ready for human trials.

A limitation of many peptides is that they are broken down by the human digestive system and therefore cannot be taken by mouth to give a systemic effect. But Magainin is developing modified versions which could be systemic antibiotics. And Jay Moorin, chief executive, is excited about a recently discovered molecule, squalamine, which circulates in the blood of sand sharks. "It is the broadest spectrum natural antibiotic we have every seen, and it's absorbable orally," he says.

Entirely new antibiotics such as squalamine may help to turn back the tide of infectious disease in the next century. Until then both the human and animal health sectors must learn to curb their excessive use of antibiotics.

An article on drugs to treat depression will appear shortly before Christmas.

Worth Watching ·Della Bradshaw



Closing the gates on shoplifters

Clothing stores have long used tagging systems to prevent shoplifting, but supermarkets have found it almost impossible to prevent the theft of beans, light bulbs or even caviare.

With this in mind, Knogo, of Long Island, has developed undetectable tags for small items. The fine electromagnetic metal strips, encased in a clear material, are stuck on randomly selected foods, disguised as part of the label or bar code.

When the honest customer puts the tagged item on the conveyor belt, plates in the check-out system break down the electro-magnetic force in the strip. But if an item is slipped through surreptitiously, twin gates positioned at each check-out detect the stolen item. Knogo: US, 516 232 2100; Belgium, 65 642101; UK, 0625 486414.

The Earth moves in strange ways

Many strange facets of natural behaviour have been blamed on the phases of the moon – not least the existence of werewolves. Now, one strange phenomenon has been given the seal of authority from the highest scientific sources.

The European laboratory for particle physics (Cern), in Geneva, has demonstrated that the earth's surface has tides, like the sea. These tiny deformations were discovered when scientists noticed variations in the energy of the particle beams circulating in an electron positron collider (Lep) which is helping research into the structure of matter.

Over the 27km circumference of the Lep, scientists noticed variations of a millimetre depending on the phase of the moon – a miniscule amount to the layman but of the utmost importance to particle physicists. Cern: Switzerland, 22 767 4101.

Toadstools turn on fungi friends

An extract of toadstool has been adapted by ICI Agrochemicals, of Haslemere, Surrey, to attack its nearest and dearest – fungi. The broad spectrum fungicide should be most effective on cereals, vines and rice.

ICIA5504 has been developed from the strobilurins and oudemansins found in toadstools. Unlike traditional fungicides, the chemical penetrates the fungal spores and mycelium and blocks the energy-producing processes needed for growth. This means fungi have built up no resistance to the chemical. ICI Agrochemicals: UK, 0428 657096.

Ten light bulbs for the price of one

The chandeliers at Chatsworth House and the light bulbs in the Goat Inn public house near Peterborough both exploit a British design for increasing the life of the ordinary light bulb.

The Bulbsaver, developed by Microcel, of Peterborough, is a tiny device installed behind the wall switch. The chip-on-a-circuit reduces the electrical surge which occurs when the light is switched on and which weakens the filaments in the bulb. The designers say the life of bulbs should be increased 10 times.

At £4 per unit the Bulbsaver will be most widely used where it is difficult to replace bulbs – in belisha beacons or railway signals – or where one switch controls a large number of bulbs. Microcel: UK, 0778 347214.

The nose always knows best

Cyrano de Bergerac may well have approved of the latest instrument for assessing air quality – the human nose. Researchers at TNO, the Netherlands organisation for applied research, is investigating the use of trained "sniffing" panels to supplement chemical and physical measurement systems when detecting sick buildings. The organisation expects to have its first panels working within 12 months. TNO: Netherlands, 15 694975.

Rooms to let

Vanessa Houlder examines the increasingly bleak outlook for Europe's battered markets

The property recession in Europe is gathering pace. The malaise that has swept through its overheated markets over the past three years has now gripped Germany, until recently one of the last bastions of stability.

Across Europe, prime offices fell in value by 5.2 per cent in the third quarter this year, bringing the decline over the past year to 18.7 per cent, according to UK-based property consultants Richard Ellis.

Estimates vary, but office values have fallen from their peak by between 5 per cent and 10 per cent in Germany, 25 per cent in Paris, 20 per cent-plus in Madrid, 10 per cent-20 per cent in Milan and by 50 per cent in the UK.

The downturn is scarcely surprising. At a time of high real interest rates across Europe and increasing concern about recession, it would be remarkable if property markets were not feeling the pressure. The nature of the market, notably its long planning and building periods, forces the sector to endure deeper troughs than other industries.

But the problems go deeper than the recession. Continental European markets have more in common with the volatile US and British markets than is often assumed. The problems created by inflated prices and a surge in credit and construction activity in recent years have proved more damaging than expected at the time.

In any event, although vacancy rates in continental markets have risen sharply recently, they are unlikely to even remotely match the record levels in the US and Britain.

● In Paris, 2.5m square metres – some 6 per cent – of the total stock is vacant. This figure could rise to 10 per cent, says Jones Lang Wootton, chartered surveyors.

● In Madrid, vacant space has increased to 412,000 sq m (7 per cent of the total stock), with a further 277,000 sq m under construction, according to Richard Ellis. Some 400,000 sq m are due to come on stream during 1992-93, half of which is on the outskirts of Madrid in developments such as Campo de las Naciones or La Moraleja and Las Rozas Business Parks.

● In Germany, the diverse nature of the property market, which is spread between five cities, strict controls on bank lending on property and a generally restrictive planning structure, have kept supply low by European standards. Nonetheless there is concern about developments on the outskirts of Munich, while in Frankfurt the current vacancy level – 3 per cent – could rise to 5 per cent by the end of next year. The speculative frenzy that was unleashed after German unification in October 1990 has raised serious doubts among property agents about the possibility of future oversupply in Berlin.

Of the continental markets, Paris gives the greatest cause for concern

Now that most west European markets have slowed down, there is much uncertainty about prospects for recovery. Doubts persist over crucial elements of the international economy, such as the European exchange rate mechanism, the ratification of the Maastricht treaty on closer European union, and the stalled international trade liberalisation talks.

In spite of this economic gloom, Germany is likely to remain the most resilient of Europe's large property markets, while the UK will remain Europe's worst hit – even though sterling's exit from the exchange rate mechanism in September has allowed the British government to lower interest rates by three percentage points, accelerating hopes that the property downturn may soon be bottoming out.

In Spain, one source of comfort is the relatively low level of borrowing of the leading investors and developers. One notable exception is Prima Inmobiliaria, the Spanish property group which over-extended itself by buying property during the heady days.

Of the continental markets, Paris probably gives the greatest cause for concern. Its problems dates back to the late 1980s when – as in London – banks, rather than investors, dominated the market. Banks lent enthusiastically to property because the sector appeared to offer profitable returns at a time of intense competition. Goldman Sachs, the US investment bank, estimates that average margins on French property loans were 3 per cent compared with average margins of 0.1 per cent on corporate lending in 1989.

French property loans have risen to FFr215bn in 1992, up from FFr63bn in 1988, says Goldman Sachs. Provisions for bad property loans could rise to 5 per cent of the total loan book, it adds.

Attention in France is particularly focused on the FFr75bn lent to highly-geared small and medium-sized brokers which entered the market as small-scale developers in the late 1980s. These developers have been badly hit because they are under-capitalised and do not have large rental income or parent companies to cushion them during the downturn.

The German property sector is likely to remain the most resilient

Although most continental markets vary in terms of lease agreements, the structure of the investment market and banking practices, many of the property trends have a common origin: namely the increasingly international outlook of banks, investors and tenants at the end of the 1980s.

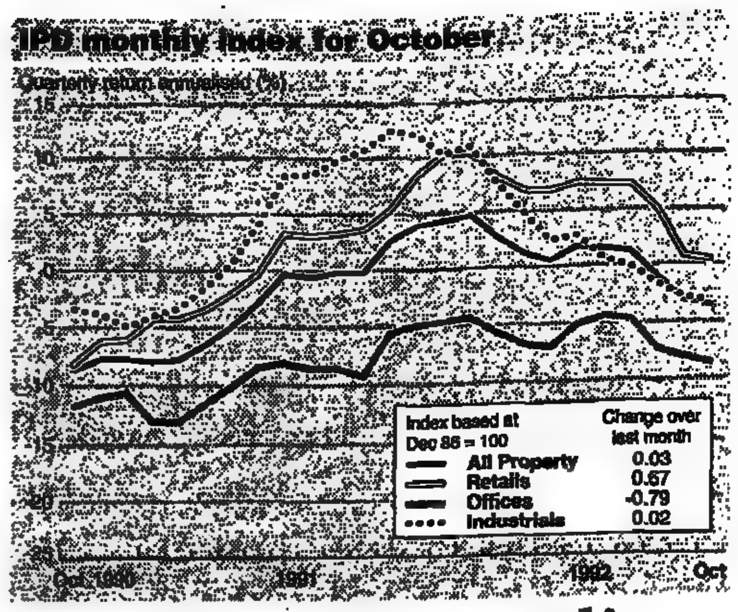
At the same time, one of the factors influencing the rise in rents in most European capitals was the rapid expansion of corporate activity ahead of the creation of a barrier-free European market in 1993. High rents in Europe were underlined by a recent survey which found that 12 of the 17 most expensive office locations in the world were in Europe.

Another influence forcing values up was a surge in cross-border investment activity, itself the result of a relation in investment controls in Europe. As well as pan-European investment, funds flowing into the European Community, particularly from Japan, rose from £820m in 1985 to £4bn in 1989, according to Hillier Parker, chartered surveyors.

In France, for example, foreign inward investment doubled between 1989 and 1990, with the Japanese among the more prominent investors. In the UK, 30 per cent of all institutional property was owned by non-British groups by the end of the 1980s. And in Spain, a surge in economic growth, the country's admission to the EC in 1986 and the lifting of restrictive rent laws in 1985, attracted inward foreign investment.

The pricking of the bubble throughout Europe was prompted in part by the retreat of international investors, many of which were increasingly burdened with problems in their home markets.

Yet as so often, the German experience has bucked the trend. In recent months there has been a flurry of investment by German buyers in the London office market. This is seen by many analysts as a tentative sign that the UK – the hardest hit market in Europe – may have seen the worst.



Rental values slip

The pace of the decline in the property market slackened in October, according to the Investment Property Databank's monthly index of 1,418 properties with a total value of £2.5bn.

Total returns climbed back to zero for October, up by more than half a point from last month. There was little movement in yields, but rental values dropped by 1.2 percentage points over the month, the single largest fall this year.

For the year to October, rental values fell by 8.6 per cent. London and the south-east were the hardest hit regions with rental falls of 18.7 per cent and 9.6 per cent respectively, while for the rest of the UK the fall was contained to 1.9 per cent. In central London, 85 per cent of all office properties were over-rented.

Offices are still the worst performing sector. London offices had a year-on-year total return of -11.7 per cent, compared with -5.2 per cent for the south-east and 1.5 per cent for the rest of the country.

The retail sector made a slight recovery in October, with an unchanged yield of 9.0 per cent and total returns back into positive figures at 0.4 per cent.

The industrial sector posted a total return of zero, with an unchanged yield of 11.3 per cent. Rental values and capital values fell 1.3 per cent and 0.8 per cent respectively.

MANAGEMENT

David Waller looks at a shift in German attitudes

Wooing the shareholders

When the 800 top managers at Veba, one of Germany's biggest industrial companies, got together for the group's bi-annual strategic conference last month, they heard what for a German company was an unusual message.

Klaus Piltz, the group's chief executive and Ulrich Hartmann, finance director of the Düsseldorf-based group, both delivered speeches laying heavy emphasis on the importance of shareholders, the first time the topic had come up at one of these gatherings.

In the UK or the US, there would be nothing exceptional about the theme: in the Anglo-American environment it is taken for granted that shareholders come first. Managers of publicly-quoted companies know that if they do not keep shareholders happy, they are likely to find themselves on the receiving end of a takeover bid and out of a job.

In Germany – as in other countries in continental Europe – management has traditionally had different priorities. The interests of employees, customers, the tax authorities, politicians, local communities, and established bank and insurance contacts have all traditionally come before those of institutional investors – pension funds, insurance companies, investment trusts and other investors.

But this is changing. More German companies, of which Veba is at the forefront, say that they are committed to enhancing "shareholder value" – managing the business for the benefit of the shareholder as measured in terms of an increased share price and higher dividends.

This reflects the growing number of institutional shareholders in the German market: between 1980 and 1990, the proportion of freely traded shares owned by institutional investors rose from 58 to 68 per cent. There have also been a number of hostile takeover battles which have reminded managers that they can be displaced if they do not deliver sound financial performance.

Veba, with turnover of nearly DM66bn (£27bn) this year and more than 1,000 subsidiaries in areas as various as energy, transport and chemicals, started its corporate existence more than 100 years ago as a department of the Prussian state. After the second world war, it was gradually privatised, the government selling its last 25 per cent stake in 1987.

The last tranche of shares was placed deliberately with overseas institutional investors and the last shareholder survey (there are no share registers in Germany) found that foreign institutional shareholders own 43 per cent of the shares.

With institutional investors came increased attention from Anglo-American investment analysts. Their assessment of the company has not always been complimentary: a particularly hard-hitting report from the London-based S.G. Warburg last year accused the management of failing to extract anything like full value from the group's highly diversified portfolio.

The report suggested that the shares were trading at a big discount to the group's break-up value and that the company was vulnerable to a takeover bid.

Hartmann rejects this assessment, but the judgment has on the face of it unsettled the group's management board. Since the report came out in May last year the company has taken a number of shareholder-friendly steps.

- It has become noticeably more willing to communicate with shareholders and the Anglo-American investment community. Board directors have made presentations to institutional investors outside Germany – a still rare move for German groups. Veba has also appointed its first director of investor relations.
- It has made an effort to disclose more financial information than is strictly required under Germany's notoriously opaque accounting rules.
- Veba was one of a handful of big Germany companies to increase its dividend for last year. The company has said it will maintain its dividend at DM12 per share for this year, despite a slump in profits. The dividend is hardly generous by Anglo-American standards, but the "decoupling" of payout from profits performance is especially appreciated by overseas shareholders.
- It announced plans to introduce what it called a "value-orientated controlling system" as a way of assessing the worth of the portfolio.

Hartmann denies that the Warburg report – or pressure from the Anglo-American investment community – has led to a fundamental change in business strategy.

"I would like to make a distinction between our communications policies, which we have consciously strengthened since the Warburg report came out, and the way we run the business," he says. The measures which do impinge on the way the company is managed, for example the introduction of the new controlling measures, were decided long before Warburg published its report, he says.

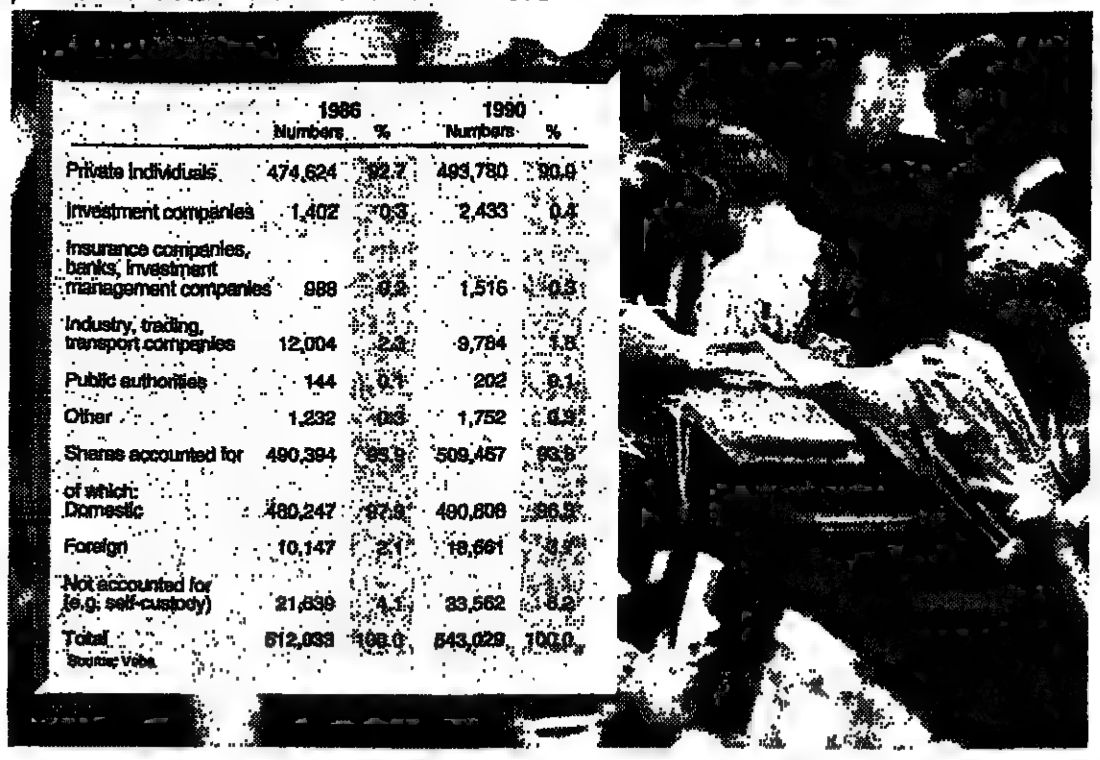
He argues that the group has been run aggressively, in the interests of long-term wealth creation, for the past 30 years. This has involved both purchases and sales of large businesses – a highly active management of the portfolio. Perceptions have been otherwise, he acknowledges, and the new emphasis on communications is designed to correct the impression that Veba is a "sleeping giant".

What Veba will not do is take conscious steps to unlock the value of its portfolio in the interests of shareholders: partial flotations are deemed to be a sign of weakness.

This attitude, common among Germany's big companies, shows the gulf that still exists between German and UK-US management philosophy. No German conglomerate would go so far as to restructure itself purely for the sake of its shareholders, to sell off businesses in the recognition that the parts would have a greater value than the whole.

ICI's current plan to split itself into two in order to maximise value for shareholders would be unthinkable in Germany.

Breakdown of Veba shareholders



	1986 Numbers	1986 %	1990 Numbers	1990 %
Private individuals	474,624	92.7	493,780	90.9
Investment companies	1,402	0.3	2,433	0.4
Insurance companies, banks, investment management companies	988	0.2	1,516	0.3
Industry, trading, transport companies	12,004	2.3	9,784	1.8
Public authorities	144	0.1	202	0.1
Other	1,232	0.3	1,752	0.3
Shares accounted for	490,394	95.9	509,467	93.8
of which: Domestic	480,247	97.9	490,806	96.3
Foreign	10,147	2.1	18,661	3.7
Not accounted for (e.g. self-custody)	21,639	4.1	33,562	6.2
Total	512,033	100.0	543,029	100.0

Source: Veba

When to contract out and when to stay in

Christopher Lorenz considers the view that outsourcing must be handled with care

After all the action of the past few years on the popular but controversial topic of subcontracting and "outsourcing", you could be forgiven for thinking that companies now understood all the competitive and financial benefits involved.

Witness the recent flood of head office cutbacks in favour of "outsourced" services such as computing and even accounting. Observe also the myriad of corporate decisions to subcontract the manufacture, and sometimes also the design, of a growing number of components and sub-assemblies.

Witness, too, the considerable concern which has been expressed about the risks of taking the process too far, to the extent that a company becomes "hollowed out" by outsourcing even products and processes which should be kept in house if it wants to retain vital "core competencies".

So it comes as quite a surprise to find a senior executive at one of the world's leading manufacturers arguing that outsourcing has not gone nearly far enough.

Too many companies are continuing to over-invest in the proprietary development and manufacture of simple commodity (or standard) components, he argues. But such is their confusion over sourcing policy that they are also subcontracting key items which are hard to make but which should be proprietary.

In place of this confusion, Ravi Venkatesan, assistant to the group vice president of operations at Cummins Engine, proposes a practical and systematic way of deciding which components are "strategic", and should be kept in house, and which can be subcontracted safely.

Cummins' development of this approach in the late 1980s had painful results. For instance, an emotional three-year debate led to a decision to outsource the design and manufacture of pistons to two more advanced world-class suppliers whose scale enabled them to invest 20 times as much as Cummins in the development of new products and processes.

Instead, Cummins decided to focus organisational energy and resources on other areas where it hoped to build leadership, notably electronics, ceramics and alternative fuels.

Venkatesan then decided to look more carefully at other companies in Cummins' league which were facing the same conundrum. Between 1990 and this year, he studied six other large manufacturers, including John Deere, JI Case, and Navistar International (the former International Harvester).

Venkatesan says in the latest issue of the Harvard Business Review* that his investigations produced disturbing findings.

He explains: "Many of these companies have systematically over-invested in commodity parts and have neglected developing the proprietary components that could, and must, become sources of competitive advantage."

Among other disadvantages, this causes a low rate of improvement in manufacturing performance, as resources are spread thinly across thousands of parts.

Venkatesan's "strategic sourcing" process starts by examining the strategic or other characteristics not of individual components, but of the systems and sub-systems into which they fit. Only then is the status of individual components assessed.

The first thing for each company to decide is which sub-systems will be key to its competitive position in subsequent product generations. This choice will vary between competitors and influence product differentiation fundamentally.

Sub-systems should be classified as strategic when they:

- have a high impact on what customers perceive as the most important product attributes;
- require highly specialised design and manufacturing skills and specialised physical facilities, for which there are very few, if any, capable independent suppliers;
- involve technology that is relatively fluid and in which there is a significant likelihood of gaining a technological lead.

Two key questions must than be answered.

- What are the supplier's design and manufacturing capabilities relative to the company?
- What would it cost to catch up with the best suppliers and can the company afford it?

As with Cummins' difficult decision to outsource pistons, the answers to these questions may prompt a company to exit from a component business even when the item in question is deemed "strategic". But if design, as well as production, of the part has to be outsourced, Venkatesan claims that a company can still protect itself by controlling its design and production "architecture".

In this sense, the term "architectural knowledge" applies to the detailed and specialised power of translation which is needed to capture customer requirements and reproduce them as performance specifications for sub-systems.

The ability to specify and control the performance characteristics of a sub-system is more important than in-house manufacture, or even design, concludes Venkatesan.

But his advice carries a sting in its tail. If such outsourcing is carelessly planned and executed, it "can result in the destruction of architectural knowledge within a single product generation", he warns. "Lost architectural knowledge has always been difficult to get back. Today it is virtually impossible."

**Strategic Sourcing: To make or not to make. HBR Nov-Dec 1992. Reprint 92610. Fax (US) 617 495 6985.*

PEOPLE

Shuffle in HSBC boardroom

Sir Peter Walters, chairman of Midland Bank, has been appointed a non-executive deputy chairman of HSBC Holdings, replacing John Gray who is stepping down as an executive deputy chairman in order to concentrate on his new job as chairman of The Hongkong and Shanghai Banking Corporation.

Sir Peter's promotion follows HSBC's acquisition of Midland earlier this year and, while not unexpected, is part of a boardroom reshuffle which means that Midland directors will hold a quarter of the seats on HSBC's 20-strong board.

Sir Peter, 61, who was chairman of BP for eight years until March 1990, is being joined on the HSBC board by Sir Colin Marshall (left), 59, chief executive of British Airways, and Geoffrey Maitland Smith (right), also 59, chairman of Sears. Richard Delbridge, a former JP Morgan banker who only joined Midland three years ago, is joining the HSBC board as executive director finance.

It was originally intended that Sir Patrick Meaney, the chairman of Rank Organisation and one of Midland's longest serving directors, would go on the HSBC board, but he died some months ago. In addition Brian Goldthorpe, who had represented Midland on the HSBC board since 1991, also died recently.

Meanwhile, Nigel Rich, managing director of Jardine Matheson Holdings, and John Swaine, deputy president of Hong Kong's Legislative Council, will step down as non-executive directors of HSBC Holdings but will remain on the board of Hongkong and Shanghai Banking Corp. John Gray will remain on the HSBC board.

Eric Cliffe (above), Boots Pharmaceuticals' managing director, is to retire next month after 33 years with The Boots Company. He is not being directly replaced; the organisation he headed has been divided into three separate units: Boots Pharmaceuticals, Boots Healthcare International and Boots Contract Manufacturing.

Barry Clare has been appointed managing director of Boots Healthcare International which is responsible for Boots' European consumer products. Meanwhile, John Watson has been made managing director of Boots Contract Manufacturing which supplies Boots The Chemists.

Gordon Solway is now managing director of Boots pharmaceuticals as well as a main board director of The Boots Company. He faces the difficult job of overseeing the international launch of Manoplax, a heart treatment vital to the company's hopes of remaining a credible drugs group. Boots expects the medicine to be approved in the US, the world's largest market, by the end of this financial year next March.

Unifying role for Butler

Tom Butler (right) makes the move up from heading EDS-Scicon's manufacturing division to managing director of the UK subsidiary as John Bateman takes responsibility for the US computing services firm's operations in Europe.

Butler, "just the wrong side of 40", has been with the company for just two years but his former career includes periods with Hoskyns, now part of Cap Gemini Sogeti, Andersen Consulting and Perot Systems, the company started by US presidential candidate Ross Perot after his controversial exodus from General Motors.

A mechanical engineer by background, educated at Glasgow and Strathclyde universities, Butler's early experience was in the oil and chemical industries.

EDS-Scicon was formed through the merger of the US company EDS with SD-Scicon of the UK a year ago with Bateman as its first managing director. It is now one of the largest facilities management companies in the UK, taking responsibility for its customers' entire data processing operations.

Butler will continue moves to focus the company on customers' needs. EDS-Scicon is now well integrated structurally but unifying the two, very different, companies would take "several more months if not several years".

- John McComish, formerly group finance director, has been appointed chief executive of John Cleland Holdings & John Cleland & Son, part of IWP INTERNATIONAL, following the early retirement of Jim Stewart.
- Michael Carrasco, North American vice-president of business logistics services, has been appointed European vice-president of FEDERAL EXPRESS Business Logistics Europe; he will be based in Warwickshire.
- Michael Smith, formerly head of project finance at Bank of America, has been appointed director of international business for NATIONAL POWER.
- Jack Whitaker, a former finance director of Augustus Barnett, part of Bass, has been appointed finance director of MARR TAVERNS which bought 170 pubs from Bass in August.
- David Crowe has been appointed to the board of TT GROUP.

Non-executive directors

- Anthony Grey has resigned from PRIMADONA.
- Bruce Dawson has retired from HAYS.
- David Backhouse has resigned from TSB GROUP.
- Hugh Peppiatt, retired senior partner of Freshfields, at HARDY OIL & GAS.
- Bruce Aspinall, recently retired chairman of Hothfield Carpets, and Richard Robinson, chairman of Batley & Robinson (Worsteds), at SKIPTON BUILDING SOCIETY.
- Dennis O'Brien has resigned from XTRA-VISION.
- Peter Howarth, formerly chief executive of Sekers, and Michael Glover, md of Grosvenor Venture Managers, at EARLY'S OF WITNEY.
- Charles Cory has retired from AB ELECTRONIC.
- Jurgen Schonwasser, member of management board at Philipp Holzmann, at TILBURY DOUGLAS; Hermann Becker has retired.
- Ian Orrock as chairman of ROXSPUR (formerly Levercrest), following the resignation of Leslie Cluer.
- Chris Russell, a specialist in the corporate taxation of financial institutions, and Paul Oldham, recently retired investment manager of the British Steel Pension Fund, at RELIANCE MUTUAL.
- Jim Langford, recently retired director Costain, at BARCOM.
- Charles Gillett, formerly a director of Cadbury Schweppes, at EVEREST FOODS.
- Christopher Dreyfus, formerly a director of Postel Investment Management, at RIVER & MERCANTILE AMERICAN CAPITAL AND INCOME TRUST.
- Keith Orrell-Jones (below), group md of Blue Circle Industries, at SMITHS INDUSTRIES; Sir Austin Pearce has retired.

'Dans le Parc de M. Wallet à Viosinlieu' (c1866) by Corot

Forged in the face of Nature

Susan Moore admires the work of the Barbizon school

Outdoor painting in oil began long before Monet shocked the art establishment with "Impression, Sunrise". The biographers of Claude claim that this revered master of the classical landscape was making oil sketches direct from nature in the mid 17th century. The practice was revived in France by Desportes early the following century, and continued in Italy, with the Welshman Thomas Jones, Claude-Joseph Vernet, Valenciennes and Corot all following in the great man's footsteps.

The broadly painted oil sketch "made in haste, in order to seize Nature as she is" was a well-established element in a young artist's training by the time a group of French naturalist painters began to converge on the small town of Barbizon, at the edge of the Forest of Fontainebleu, in the 1830s.

Barbizon & l'Ecole de la Nature, organised by Agnew's in association with Brame & Lorenceau of Paris and the Artemis group, is a delightful show bringing together over 40 paintings and pastels, plus a staircase of drawings, by the now unfashionable and unjustly neglected precursors of Impressionism. The exhibits are witness to the fresh, responsive and highly expressive techniques forged in the face of nature by the open-air painters – and to the extent to which the informal lessons of the field were applied to the finished studio pictures destined for public exhibition.

Corot, like his English near-contemporary John Constable, remained a keen outdoor painter long after his student years, frequently working with the Barbizon painter Daubigny after 1852. His view of M. Wallet's park at Voisinlieu on a chill, bright winter's day in 1866, is ample proof that he, like Constable, kept faith with the idea of the natural landscape. The bare trees in the middle distance are well observed and show great sensitivity to infinitely subtle nuances of tone. Nonetheless, the mood he evokes is essentially poetical and romantic, the muzzy technique typical of his later works. There is none of the directness of touch and tonal clarity that characterises the small oil sketches.

A similar distinction between the experimental, private sketch and the finished work of art seems to have been drawn by Rousseau who, like Diaz, sought absolute fidelity to nature. The sombre, rugged and untamed nature he found so close to Paris in the Forest of Fontainebleu provided endless motifs. His major canvases bring to mind Baudelaire's description of him as "a naturalist ceaselessly swept towards the ideal". They are in marked contrast to the series of deliciously fresh and fluid oil sketches here. To our eyes these are works of art in their own right, and highly covetable. I doubt Rousseau would have agreed.

A handful of sun-dappled forest glades, presumably painted at Fontainebleu, come from the hand of Diaz. In their rich tone and impasted paint they recall the robust realism of Rubens's landscapes, and serve as a reminder of the Barbizon painters' enthusiasm for 17th century Dutch and Netherlandish landscape art. The influence of contemporary British art in stimulating a fresh approach to nature is also apparent. A number of British pictures – Constable's "Hay-Wain" among them – had taken the 1824 Paris *Salon* by storm. Constable's animated touch and unaffected response to the natural world, the light and breadth of Turner and Bonnington, and the general high-key colour of the British school, seem to have left their mark.

Landscape was not the primary concern of all the Barbizon painters and their associates. Millet, represented here by pastels and drawings, was more concerned with recording rural life rather than scenery. His depictions of the peasantry at work are radically different from the sentimentalised rustics portrayed by George Morland – the artist, along with Constable, whom Dupré most wanted to study in England. "Scottish Deerhounds" is an impressive piece by Constant Troyon who was responsible for re-establishing the genre of animal painting in France.

The outdoor painting of Daubigny and Harpignies, both disciples of Corot, provide the link between the Barbizon painters and the Impressionists. Particularly notable is Harpignies' depiction of the immense aqueduct at Briare, designed by Eiffel; and the breadth and boldness of Huet's romantic description of the play of light on the surface of the sea, seems only a step away from Monet's infamous "Impression". The crucial difference between them is that Monet signed and dated his "sketch" and sent it for public exhibition.

*

Pissarro, another protégé of Corot, takes pride of place in *Oeuvres Choisies*, an exhibition of Impressionist and Post Impressionist art at JPL Fine Arts, 26 Davies Street, W1, until January 29. On show are paintings, pastels, watercolours and drawings by Pissarro, Degas, Sisley, Berthe Morisot, Guillaumin, Cross, Luce, Signac, Roussel, Bonnard, Vuillard and Denis.

"Barbizon & l'Ecole de la Nature" continues at Agnew's, 43 Old Bond Street, London W1, until December 18.

Theatre/Malcolm Rutherford

'Annie' gets it right

Modern musicals have become vey sophisticated, so it takes a while to re-acclimatise to the simpler and more innocent world of Irving Berlin: perhaps five minutes. *Annie Get Your Gun* is a masterpiece.

Roger Redfarn's wonderful production takes off with one of the early and least known songs, "You Can't Get a Man with a Gun". The song is both dramatic and prophetic, for it gives the full stage to Annie, allowing her to maraud around with a rifle, firing and singing at the same time, and the words turn out to be true since, as Annie realises at the end, indeed you can't get a man with a gun. In a shooting competition with a man, nice girls learn to finish second.

Other songs come flowing back. Who would have thought it was possible to have "There's No Business Like Show Business", "Falling in Love is Wonderful", "My Defences are Down", "I Got the Sun in the Morning", and "Anything You can Do" all in the same show? Moreover, those are only the most familiar numbers. Almost as much pleasure is to be had from the change in style to "Moonshine Lullaby" and the simplicity of "An Old Fashioned Wedding".

This is not an exercise in nostalgia for the over-40s. *Annie* is as fresh today as it can have ever been. It is based on the simplest of plots with a slight twist: not so much boy meets girl as girl meets boy. Few musicals can have told the story better. Here is a wild female spirit who decides to tame herself to get her man.

It is also a story about the sheer joy as well as the grind of show business: hence the famous song. "No Business" ought to be the marching song of the theatrical profession. Berlin had the genius to be sentimental without being soppy. I wonder if anyone can listen to "Falling in Love is Wonderful" without being moved. He could do dramatic switches as well. The reprise of "Falling in Love" comes immediately after the hugely raucous "I Got the Sun in the Morning". From the stage being packed with people dancing and singing in evening dress, we return suddenly to the simplicity of Annie and the man she loves.

Above all, the piece abounds with self-confidence. The words are as good as the tunes. The diction is clear, nothing is slurred, and the songs do not repeat themselves. Some of them go on for verse after verse with new words. Nothing is overdone. Children on stage do not steal the show, and Chief Sitting Bull does not force any comments about the treatment of American Indians. Everyone is in this show together.

If the original self-confidence came from Berlin's book and lyrics, Redfarn's direction and the choreography by Gillian Gregory pick up where Berlin left off. Seldom has one seen a production that gets so deliberately stronger and stronger as it goes on. The party scene in the second act is big theatre. So is the final shooting scene, but the smaller scenes in act one are needed in order to make the full impact.

Annie is played by the American Kim Criswell. As the title suggests, it is *the* part in the show and she performs immaculately. She would not be able to do so with such conviction, however, without the total support of the rest of the cast from John Diedrich (the man she falls for) down to the extras. Diedrich is an impeccable straight male lead who cana sing, shoot and act.

Here is one of the most professional productions on a London stage. It has arrived in association with the Theatre Royal, Plymouth whose specialisation in musicals over the last few years is paying off many times over. *Buddy*, which also came from Plymouth, is still running in the West End. *Barnum* follows next month.

Prince of Wales theatre. (071) 839 5972

Alastair Muir

Immaculate performance: Kim Criswell as Annie

Opera/Andrew Clements

Hansel and Gretel

When it was new in 1987 David Pountney's staging of *Hansel and Gretel* seemed a rare stroke of operatic inspiration, an unforgettable piece of re-invention which opened up Humperdinck's opera to a new set of resonances. Now, on its second revival at ENO (overseen by David Sulkin) the spell is less potent. There are still many incidental delights, and continued evidence of the thoughtful preparation that informed the production from the start, but the spark of enchantment is missing and the weak points in the concept have become less easy to accept.

There was, always, the feeling that Pountney's painstaking post-war reworking was pandering to the fortysomethings' nostalgia for the coin-in-the-slot gas meters and wardrobe-sized refrigerators of their childhood. Instead of universalising this little tale of redemption he had given it a frisson of recognition for his own generation, overladen with the heavy hint of family violence and child abuse.

All that, and the stage pictures it created, saw the production through its stickier patches. No one could pretend that the final scene with the Witch/Mother was a polished and convincing piece of theatre: Gretel's fussy wanderings around the house, Hansel's casual escape from his cage and their contrived tumbling of the Witch into the cooker seemed decidedly half-hearted. But such moments were banished by the memory of the pantomime sequence, its parade of familiar figures – postman, policeman, courting couple – dusted in radiant, make-believe white to conjure up a wonderful tableaux, which transformed the everyday image into the escapist dream.

That first-act ending remains a bewitching piece of theatre, but on Wednesday the rest of the evening only sporadically caught the same spirit. It was sensitively but all rather placidly conducted by Lionel Friend; one sensed the Wagnerian echoes being pinpointed and gently emphasised rather than left to contribute to the whole unselfconscious effect. The stage action too seemed respectful rather than wholeheartedly engaged; only Ethna Robinson's Hansel, the single survivor from the 1987 cast, went about her business with real zeal and spirit.

The remainder of the cast, though, was much more than adequate, merely short of an ounce of vividness. Rose Mannion's Gretel was beautifully sung, just a little too prim for a production that sets out to demonstrate the grinding consequences of deprivation. As the Mother Phyllis Cannan caught that downtrodden feeling well; as the Witch she wisely never went over the top. Donald Maxwell is now the Father, smartly besuited in pointed contrast to his wife's grimy pinafore.Julie Gossage and Yvonne Barclay provide sharp cameos of the Sandman and the Dew Fairy; certainly some of their magic remains in this intriguing production.

ENO at the London Coliseum; until December 21

Ballet/Clement Crisp

A New Zealand 'Hamlet'

The Royal New Zealand Ballet is making its British debut this week in Northampton's lively Derngate Theatre. The company will mark its 40th anniversary next year; the decades have been marked by hard slogging to establish the troupe, but the result, as I saw on Wednesday night, is a group of artists who work very well indeed. Forces are modest: 26 dancers; two pianos and a small band of instrumentalists; design that offers wit and ingenuity rather than egregious display. The effect is pleasing at every moment, and in the case of a two-act *Hamlet*, much more than that.

The statutory calling card was a *Faust Divertissement* which uses Gounod's adorable Walpurgisnacht romp (where the devil does have the best tunes) for polite classic entries confected by Galina Samsova and André Prokovsky. There are too many orange shifts for the girls, but the dances are pretty enough, the company's academic style is well-mannered, and in the Chinese danseur Ou Lou, we see a virtuoso of beautifully secure and even technique.

The point of the evening, though, is the *Hamlet* which Jonathan Taylor (remembered as a dancer and choreographer with Ballet Rambert) has made for the company. It has much to recommend it. Taylor's decision to follow most of Shakespeare's action can be called into question, since he becomes somewhat prisoner of his text. The piece is too long, and would benefit by editing. But Taylor's mime-dance language is fluent, and no less so his staging. He benefits from excellent design by Allan Lees. Large stone obelisks are manoeuvrered to indicate locale. An opening at the back of the walled set allows for additional scenes – Marcellus and Horatio on guard; Claudius and Gertrude in state. Costume design offers strong shapes, a brave use of fabric for clearly characterised identities, a vivid sense of history.

Taylor is eminently successful in evoking a late mediaeval society as setting for the drama. The play scene has the hurly-burly of a fair; the darkness and menace of Elsinore itself is always present. Admirably lit, by Ian Perkins, filled with the vitality of the New Zealanders' performance, *Hamlet* also benefits from a brilliantly conceived and executed score. William Southgate has turned to the music of the renaissance, adapting and re-scoring melodies for an ensemble of seven musicians – playing a variety of real and electronic instruments – which gives a secure and highly atmospheric base for the action. The staging tells everywhere of what can be achieved by taste and imagination when faced with the needs for economical touring, rather than the twin demons of inane expenditure or cheapjack flummery that we can see with other ensembles currently rattling round this country.

The RNZB dancers play this *Hamlet* with tremendous will. They look serious, gifted artists. Characterisations are clear – how good to see Harry Haythorne again, as a fussy Polonius – and Taylor's sense of theatre suits them well. Kilian O'Callaghan's Hamlet is a man of action; Kerry-Anne Gilberd makes a touching Ophelia. The company's achievements – in performance; in the artistic attitudes implicit in this ballet – deserve every praise. And so do the seven musicians who accompany, and greatly enhance, the production.

The Royal New Zealand Ballet: Derngate Theatre, Northampton until November 28.

Concert/David Murray

A mixed double

Before the Wigmore Hall shut up shop for refurbishing, a pair of French-Canadian artists offered striking rewards in two recitals that included Beethoven's five sonatas for cello and piano. On Tuesday Sophie Rolland and Marc-André Hamelin resurfaced at St. John's, Smith Square, with a frankly cello-oriented programme: bright chances for the pianist in their Grieg and Samuel Barber sonatas, all of which Hamelin seized eagerly, but basically soloist-and-accompanist stuff.

As a musical partnership, it is virtually seamless. There were keen interpretative insights in every work. In Martinu's seductive Variations on a Slovakian Theme, Miss Rolland sported ripely ethnic *portamento* swoops whilst Hamelin conjured up cimbalom-sounds; in Grieg's A minor Sonata he rang all the echoes of the much-loved Concerto in the same key, while the cellist adapted her *portamenti* to Victorian salon-style. They found no clear trajectory through Barber's early Sonata, but they lit up its passing ideas as vividly as could be.

There was nevertheless a sense of some restraint,of compromise. Hamelin has been described as a "super-virtuoso"; more precisely, he is a thoughtful young musician with an all-encompassing technique – incisive dispatch, brilliant clarity in quick passages, gorgeously balanced chords. Contrariwise Miss Rolland's address is soft-grained and discreetly suggestive, unemphatic, elusive: I soon lost count of the times when she began what we expected to be a broad line with a brittle *sforzando/piano*, a sudden stab reduced at once to a bated-breath hush.

In late Debussy she capitalised upon the trick to striking effect. That Sonata is at once haunted and mannered, abrupt and whimsical; Rolland captured not only its sudden mood-switches, but also its sense of a chill ironic distance. Its original title was to have been *Pierrot fâché avec la lune* ("Pierrot being cross with the moon"), invoking both *commedia dell'arte* and an absurdist joke – for which Hamelin scaled-down scrupulously to play an elegant foil to Rolland's nervy soliloquising.

Yet the swimmy St. John's acoustic guaranteed that the piano-resonance would swallow up the cello's bass-register: even when Rolland was at her most delicate and agile down there, what we heard was only a soft oleaginous mutter. As solo-with-accompaniment, a lot of the music sounded the wrong way round. I think she deserves another partner with a naturally chamber-sized attack, and Hamelin a thrusting competitor of another clean-edged, super-polished order.

Sponsored by the Canadian High Commission and La Délégation générale du Québec.

INTERNATIONAL ARTS GUIDE

Ancient church treasures of gold, silver, ivory and rock crystal from the east German town of Quedlinburg are on show at the Berlin Kunstgewerbemuseum till the end of May 1993.

It is the first time since the Second World War that the collection of 50 works has been together under one roof. In 1945 some of the boxes in which the treasures were stored were discovered to have been broken open, and 12 pieces were missing.

It was over 40 years before a trail led to Texas where they were being offered for sale by the descendants of a US army lieutenant who had stolen them. An out-of-court settlement negotiated by the German federal heritage funding body led to their return to Germany earlier this year.

Quedlinburg, a small town in Sachsen-Anhalt, was better known in the Middle Ages when it was closely connected to the German imperial court. From the tenth to the 13th centuries, the abbesses of the church of St Servatius were all from the imperial family or the high nobility. It was then that the church treasury was showered with gifts of the finest reliquaries and liturgical items that goldsmiths could make.

The theft has ultimately brought a bonus to the church of St Servatius. Neglected in the postwar Communist era, it is being renovated before the treasures go back on display there next summer. As to the pieces themselves, the tenth century Samuel Gospels, with their golden calligraphy and jewel-studded cover, have been restored by the Bavarian State Library, and the other pieces were treated by the Berlin Kunstgewerbemuseum.

EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Glasgow 1900: a survey of art and design in the city's heyday, including examples of the Glasgow School of Painting and designs by Charles Rennie Mackintosh. Ends Feb 7. Daily

Rijksmuseum Chiaroscuro Woodcuts by Hendrick Goltzius (1558-1617), highlighting a less well-known facet of the great Dutch draughtsman and engraver. Ends Jan 10. Closed Mon

BARCELONA

Museu Picasso Picasso: the Ludwig Collection. A set of 180 paintings, drawings, sculptures, ceramics and engravings belonging to Peter Ludwig, the German collector and researcher into Picasso's work. Ends Jan 31. Closed Mon (Carrer Montcada 15-19)

Fundacio Joan Miró Gilbert and George: The Cosmological Pictures. 25 large-format pieces produced in 1989 by a pair of British artists who started working together in the 1960s. Ends Jan 10. Closed Mon

Palau de la Virreina Moments of Abstraction: a study of the development of abstract art in the Netherlands in the 20th century, with works by 17 artists. Ends Dec 27. Daily

Fundacio Antoni Tàpies Hélio Oiticica (1937-80): retrospective of the Brazilian artist. Ends Dec 6. Closed Mon

BERLIN

Wannsee-Villa Max Liebermann (1847-1935), principal Impressionist painter in Germany: his own Berlin villa is the setting for an exhibition of 35 paintings, watercolours and drawings, all from private collections and many on public show for the first time. Ends Dec 15. Closed Sun (tel 805 3242)

Martin-Gropius-Bau America 1492-1992: a vast survey of American culture from the time of Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon

Nationalgalerie Art in Germany 1905-37: more than 140 paintings and sculptures by Dix, Klee, Munch and many others. Ends Jan 3. Closed Mon and Tues

Brücke Museum Painting and Sculpture of the Brücke: works by Kirchner, Schmidt-Rottluff and other members of the early 20th century group of German artists. Ends April 4. Closed Tues

BONN

Kunst- und Ausstellungshalle From Cézanne to Pollock: 70 masterworks from the collection of the Museum of Modern Art in New York, including paintings by Van Gogh, Picasso, Beckmann, de Chirico and others. Ends Jan 10. Closed Mon

FORT WORTH

Kimbell Art Museum Egypt's Dazzling Sun: Amenhotep III and His World: 143 works, including colossal statues, wall paintings, ritual implements, jewellery, ceramics and rainbow-coloured glass, focusing on Tutankamen's illustrious ancestor, who reigned 1391-1353 BC. Ends Jan 31 (this exhibition will be seen in Paris next spring)

FRANKFURT

Museum für Völkerkunde Myth and Mask: an exploration of the world of masks, their symbolism and cultural significance. Closed Mon

Schirn Kunsthalle Gabriele Münter (1877-1962): the most comprehensive retrospective yet assembled of the German painter who was influenced by the Fauves, lived and worked with Kandinsky and ranks as one of the foremost female artists in early 20th century Germany. Ends Feb 10. Daily

Städel Emil Schumacher (b1912): 60 paintings by the German abstract painter. Ends Jan 10. Daily

LONDON

Royal Academy of Arts Sickert: a major exhibition marking the 50th anniversary of the death of one of the most European of English painters, with 134 works from collections worldwide. Ends Feb 14. Also Sacred Art of Tibet. Ends Dec 13. Daily

National Gallery Munch: The Frieze of Life. Advance booking through First Call 071-497 9977. Ends Feb 7. Daily

Barbican Border Crossings: 14 Scandanavian Artists. Ends Feb 7. The Concourse Gallery displays the work of Norwegian artist Frans Widerberg (b1934) and four Icelandic photographers. Ends Dec 15. Daily

Design Museum Scandanavian design in Britain 1930-70. Also New Directions in Scandanavian Design. Ends Feb 28. Closed Mon

Tate Gallery Grand Manner Portraiture in Britain from Van Dyck to Augustus John. Ends Jan 10. Also The Painted Nude. Ends Dec 27. Daily

Courtauld Institute Mexican Prints of the 19th Century. Ends Dec 20. Daily

MANNHEIM

Kunsthalle Manet: Moments of History. The exhibition focuses on Manet's career as a political artist. Ends Jan 17. Closed Mon

MUNICH

Kunsthalle der Hypo-Kulturstiftung Frederick the Great: Collector and Patron of the Arts. A magnificent display illustrating the 18th century Prussian king's relationship with art and artists. Together with works by Watteau, Rubens, Rembrandt and Prussian court painters and architects, the exhibition includes sculpture, porcelain, silver, furniture, costumes, books and musical instruments. Ends Feb 28. Daily

Akademie der schönen Künste Mac Zimmermann (b1912): 80th birthday retrospective of the German Surrealist painter, with 100 drawings and paintings from all periods of his development. Ends Jan 10. Closed Mon

Villa Stuck African Sculpture in German Private Collections: 200 objects from all over the African continent. Ends Jan 10. Closed Mon

NEW YORK

Museum of Modern Art Matisse. Ends Jan 12. Closed Wed (Admission is by timed-entry tickets. Call Ticketmaster 212-307 4545)

Metropolitan Museum of Art Ancient Near Eastern Treasures in the Louvre: 200 works in precious metal, stone, bronze and clay, dating from the third, second and first centuries BC, found in the seat of the Elamite and Achaemenid kings in southwestern Iran. Ends March 7. Also Masterworks from Lille: 100 paintings and drawings spanning the period from the Renaissance to the 19th century, including celebrated works by Rubens, Goya, Delacroix, David, Courbet and others. Ends Jan 17. Closed Mon

Guggenheim Museum Robert Rauschenberg, the early 1950s. Ends Jan 24. Also the Great Utopia: the Russian and Soviet Avant-Garde 1915-32. Ends Dec 15. The SoHo site has the set of murals which Chagall painted for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues

Whitney Museum of American Art Agnes Martin: 80th birthday retrospective. Ends Jan 31. Closed Mon

Brooklyn Museum Max Weber (1881-1961): 50 paintings and works on paper by an early American Modernist. Ends Jan 10. Also Frederic Bazille (1841-1870): 60 works by a precursor of the Impressionists. Ends Jan 24. The museum's collection of 58 Rodin sculptures has been reinstalled. Closed Mon and Tues

PARIS

Musée d'Orsay Sisley. Ends Jan 31. Closed Mon, late opening Thurs (qual Anatole France)

Petit Palais French drawings of the 18th century, including works by Fragonnard, Watteau and Vien. Ends Feb 14. Closed Mon (ave Winston Churchill)

Louvre Pannini (1691-1765), painter of town perspectives. Ends Feb 15. Also Drawings by Liotard (1702-89). Ends Dec 14. Closed Tues (Pavillon de Flore)

Grand Palais Picasso et les Choses. Ends Dec 26. Closed Tues, late opening Wed (ave du General Eisenhower)

FINANCIAL TIMES
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France and the Gatt

AFTER WEDNESDAY'S debate in the French national assembly, it is clear that the French government is set to stage a long and fierce rear-guard action against the farm trade deal negotiated between the European Community and the US as a central component of the Uruguay Round. At the end of the day, however, it seems almost inevitable that France will have to accept the terms negotiated by the European Commission, because no better terms will be available.

Yet nobody should underestimate the depth of the real political difficulty which this issue is causing in France, let alone sneer that this is just a case of a weak government *kow-towing to a combat*ive peasantry. Finding a solution will certainly need political courage in France, but it will also require the other member states to recognise that a successful conclusion to the longest-running trade negotiation the world has ever known may require finding ways of helping France come to terms with the deal.

The central French complaint is that the Community negotiators went beyond their brief, and have made concessions to the US which will impose uncovenanted and unacceptable sacrifices on French agriculture. France has already agreed to a sacrifice of its agricul*tural interests*, in the reform of the Community's common agricultural policy (CAP) adopted by the 12 member states earlier this year. But the French also protest that the Commission has conceded *additional restrictions, and there*fore hardships for French farmers, which were not in its mandate.

The European Commission has declared that the EC-US deal is consistent with the terms of the CAP reform; but Mr Pierre Bérégovoy, the French prime minister, has announced that he could not accept these assurances, and has threatened to block the agreement with some sort of national veto.

As a matter of principle, Mr Bérégovoy is inevitably right. Without seeing the fine print, it is almost impossible to make any firm calculation of the detailed impact of *the deal*; if French claims are even roughly true, it seems probable that the agreement will impose stiffer restrictions on European agriculture. But the main French sacrifice, and it is a very real one, *is* the concession of the very principle of a farm agreement.

The reform of the CAP is a far-reaching programme to restrain overproduction, but it does admit the possibility of Community flexibility according to circumstances; an agreement under the Uruguay Round will be an external constraint on the Community's freedom of movement, *and it must therefore be less flexi*ble and more binding.

It may be argued that the French government is in trouble now because it has played its hand rather clumsily. But the bottom line is that French farmers, who are a large part of the labour force (over 6 per cent), are already enduring steady falls in their incomes, and facing a steep decline in their numbers. The British government recently backed sharply away from a plan to fire 30,000 coal miners; but French farmers know that their numbers are likely to drop from a little over 1m to around 600,000 in the next decade. The CAP reform must *accelerate that* process, and so will the GATT deal.

In the case of the Uruguay Round, common sense and politics are at variance. Common sense suggests that the government *should have declared that the* EC-US deal is the best available. But if it had done so, it would almost certainly have been defeated in parliament, and after fresh elections its conservative successor would inevitably have been even more fiercely opposed to the Gatt deal. The best hope now is that the government will navigate under cover of a flag of protest, with a view to avoiding an absolute break with the Gatt negotiations, so as to accept an overall Uruguay Round package at a later date.

Local taxation

THE ANNUAL ritual of UK local taxation began its course yesterday, with the government announcing details of its grant to local authorities. The environment secretary, Mr Michael Howard, said that it allowed for a 3.1 per cent increase in expenditure. This appears generous given the 1.5 per cent ceiling on the public-sector pay bill, since 70 per cent of local spending goes on wages.

The local authorities disagreed. The grant is 3.1 per cent up on what councils were supposed to spend last year, but only 0.4 per cent more than they calculate they actually spent. Since the government has tightened the capping rules to curb high spenders, many councils will be unable to increase their spending next year even if they wish to. Some – *including Conservative authorities* – are threatening cuts in services.

This year, there is an added complication in the replacement of the poll tax by the council tax. The transitional relief scheme to ease the introduction of the new tax should ensure that winners outnumber losers, according to ministers. But many people will find the new tax difficult to understand, not least its cunning banding system which has provided a steady flow of misleading press stories about average bills throughout the summer and autumn. And people living in homes which have fallen in value recently may feel that a tax based on property values in April 1991 is unfair. As with any tax change, there will be losers who will be vocal, and winners who are likely to keep their good fortune to themselves. A tranquil debut for the new tax is unlikely.

All of this points to another political storm over local taxation in the new year. There will be pressure for a further switch from local taxation to central government grants, as in 1991 when VAT was increased to hold down poll tax bills. This should be resisted. Council tax is already too highly geared, providing only 15 per cent of local government revenue. Any increase in gearing would further *undermine the tax base of local* government and constrain its ability to provide services in line with local wishes.

The real concern about yesterday's announcement, however, is not in the figures but in the fact that they so greatly restrict discretion to increase funding on local services. That makes local government little more than the local administration of Whitehall's policies and priorities – an outcome which is most undesirable for British democracy.

Queen taxed

THE BRITISH monarchy has been a remarkably successful institution. It has also been a highly adaptable one. The adaptability of the monarchy largely explains the success. The Queen's offer to pay taxes on her private income and, as importantly, trim the civil list represents an excellent example of the monarchy's flexibility. These changes, sensible in themselves, are also more likely to strengthen the monarchy than weaken it.

Rationalists dislike monarchies. But constitutional monarchy has proved to be an obstacle neither to economic progress nor to democratic stability. On the contrary, *their shrunken numbers include* many of the world's richest democracies: in Europe there are Sweden, Denmark, Norway, the Netherlands, Belgium and more recently Spain; in Asia, there is Japan. *In these societies the mon*arch's role as a living symbol of the state has proved consistent with political stability and indeed one of its sources.

These monarchies have all changed *markedly over time*, as has the British. It has survived a civil war and the decapitation of Charles I. It has outlived the acquisition and collapse of the British empire. Above all, it has coped with the transition from aristocracy to democracy.

Now it has to adapt to an age of populist suspicion and popular curiosity. It has to tackle two specific problems: the all too visible foibles of minor members of the royal family and the untaxed wealth of the Queen herself. By yesterday's announcement the monarchy has done what it can, short of a credible vow of poverty and personal perfection.

Nothing will stop the popular press from probing the private lives of members of the royal family. But with the compensation for their public services being reimbursed from the Queen's privy purse they may be criticised less *easily. Similarly, nothing will stop* left-wing politicians from complaining about the Queen's wealth. But properly taxed it becomes just another inherited private fortune.

*The monarch's role is funda*mentally symbolic, but scandal and untaxed wealth are unsatisfactory symbols. There had to be changes. Whether these go far enough is another matter. A *clearer definition of the monarch's* role in the state may be required, particularly if there are wider constitutional changes. The future of the monarchy depends partly on the royal family itself, but still more on the changing temper of the British people.

Japan's banking crisis threatens economic growth at home and abroad, say **Charles Leadbeater** and **Robert Thomson**

At a loss for a speedy solution

The sharp falls in pre-tax profits announced yesterday by Japan's large *banks* are just the latest sign that the country's banking sector is facing its worst crisis since the second world war. The collapse of the speculative bubble of the 1980s has left them bur*dened* with bad debts, a legacy which has potentially far-reaching consequences for Japan and the international economy.

At the end of September the top 31 Japanese banks had loans on *which no interest had been paid for* more than six months, worth Y12,300bn (£65bn), or about 3 per cent of their outstanding loans. According to the Finance Ministry, about Y4,000bn of these loans do not have any collateral. This amounts to an unrecoverable loss which could soak up about 18 months of operating profits at the top 21 banks. Their uncommitted loan loss reserves are worth only Y2,875bn. Covering the loss by digging into their capital would reduce their equity by about 19 per cent.

The banks and the regulatory authorities are taking a distinctively Japanese approach to solving *this debt crisis.* Market forces will play only a limited role in restoring equilibrium. There is little prospect that weak institutions will be allowed to go to the wall or be taken over. Instead, the Japanese *are working in the* grey zone between the market and state intervention by adopting a gradualist and collective approach.

At present, the government is offering the banks only limited, covert support. There are no plans for a bail-out modelled on the US government's rescue of the savings and loan industry.

Instead, the entire banking system is taking the strain. Weaker banks will be kept afloat through a web of relations with stronger banks which will support them with cheap loans. But what are the chances that the Japanese authorities can prevent a long-drawn-out crisis which undermines Japan's *economic performance?*

The banks' bad debts are a direct result of the collapse of the property market after the end of Japan's "bubble" economy of low interest rates and financial deregulation, which created a climate for rampant speculation in the late 1980s.

At its peak rate of growth in late 1987, commercial bank lending to the real estate sector grew by 32.7 per cent, to Y33,565bn in March 1988. In 1988 land prices in the Tokyo area rose by 57 per cent. By spring 1989 the Bank of Japan, which had become alarmed by the rise in asset prices, began to push up the discount rate (which determines short-term interest rates) from 2.75 per cent in April 1989 to 6.25 per cent 15 months later. The authorities also put a cap on real estate lending.

The property market went into a tail-spin. Prices in some central *areas of Tokyo are now 60* per cent below their peak, leaving many borrowers with collateral worth less than their loans. Residential land prices may still have a long way to fall; prices dropped about 20 per cent in the main cities in the year to September. An unprecedented glut of office space will overhang the commercial market for several years.

This means the banks' final bill will be far larger than the outstanding unbacked Y4,000bn of bad debts estimated by the Finance Ministry for this September. Privately, Tokyo bankers acknowledge that bad loans at the 21 top banks could total Y55,000bn, equivalent to about 12 per cent of gross domestic product, over the next five years. Even a conservative estimate for unrecoverable loans of Y10,000bn is about equal to the top 21's forecast operating profits for the next three years.

This figure almost certainly understates the problem, however. The top 21 banks are the tip of a very large financial pyramid. Beneath them are about 132 large and smaller regional banks, which do not operate nationally, and 455 very small, local *shinkin* banks. At the base are a dense network of 22,000 non-banking lenders, which do not take in deposits.

According *to Mr David* Snoddy, banking analyst at Jardine Fleming, the securities house, the regional banks could face a loss of about Y1,600bn or about 21 per cent of their equity. What matters is whether the top 21 banks and the strongest regional banks will have the resources to deal with their own problems as well as help their weaker affiliates.

The Japanese banks all have large holdings of securities, which they could sell to raise capital. The plunge in the Tokyo stock market means the value of the banks' large unrealised gains on securities' holdings has fallen from a peak of *Y60,604bn in September 1989 to* about Y18,385bn this March. That is still more than enough to cover their losses, but if they tried to realise these paper gains share prices could decline further, thus depleting the banks' capital. Moreover, this would increase pressure on the banks to restrict lending by pushing their capital below the standards set by the Bank of International Settlements. From next March they are required to hold capital worth 8 per cent of the value of their risk assets.

Any strategy which the banks might consider to meet their losses faces constraints. For instance, issuing more shares is not a option while the Tokyo stock market is in the doldrums. So the banks hope to stretch out their losses, at least until the late 1990s, paying for them piecemeal each year, partly from profits, partly from stock reserves and, *in time perhaps, from their* shareholders' equity.

Despite the mutual ties between banks, a crisis at a large bank cannot be ruled out as long as the stock market is depressed and real estate prices continue to fall. A large bank failure would destabilise the entire system because it would threaten to unravel the patchwork of cross-lending which binds the banks together.

That threat is taken seriously by the authorities. They are keeping a close watch on the long-term credit banks set up to lend to Japanese industry but which have become heavily exposed to real estate lending. They are also watching several trust banks, which operate both banking and trust-fund investment businesses. Nevertheless bankers are adamant that a failure can be averted. Mr Yoh Kurosawa, president of the Industrial Bank of Japan puts it: "Our banks do not go bust."

Crises at weaker institutions are expected, however. Mr Akira Nambara, executive director of the Bank of Japan, has predicted mergers and rescues among smaller institutions. Several weaker regional banks are already undergoing restructuring.

The Finance Ministry, meanwhile, says it has instructed large banks to take an interest in the health of their non-banking lending affiliates. Bluntly, the banks are being told to prevent the affiliates going bust. Distress lending from large banks to non-banking institutions at very low rates of interest rose by about 194 per cent in the year to August.

Even if a collapse can be averted, a prolonged crisis would have far-reaching consequences. Small businesses, which account for 56 per cent of employment, are already complaining of a credit crunch. Large companies have cash reserves to fall back on, but many are reconsidering ambitious investment strategies which were based on access to low-cost capital.

As a result, the domestic picture could be grim: the banks' weakness could stifle growth in the Japanese economy for several years. Extrapolating from calculations by Mr Yushio Suzuki, the Bank of Japan's former executive director, the money supply needs to expand by about 6 per cent a year for gross national product *to grow at the gov*ernment's target of 3.5 per cent a year. That seems unlikely with bank lending rising by only 0.7 per cent in the six months to September and with an unprecedented contraction in the money supply in August and September. Money supply growth remains weak despite a series of discount rate cuts since July last year as the Bank of Japan has tried to stimulate the economy and offer support to the banking industry. The economy looks set to grow more slowly in the 1990s than at any time since the 1950s.

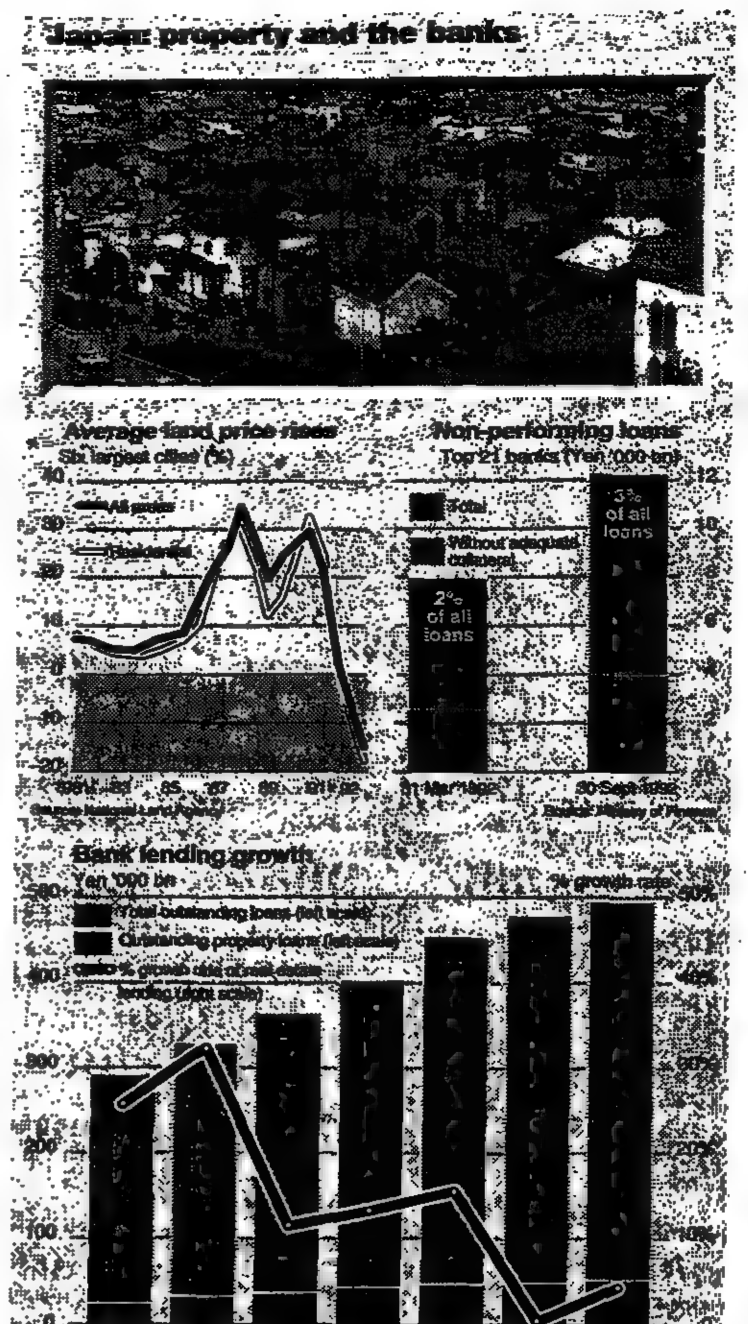
The international consequences could also be profound because of the pivotal role that Japanese banks now play in the world economy. Japanese banks have already retreated from international lending to reduce their assets and meet the BIS *capital adequacy* standards. Companies which found it relatively easy to borrow from Japanese banks – from US steel mills to Olympia & York, the developer of the Canary Wharf project in London's Docklands – now find it more difficult to borrow money, a constraint which is likely to remain tight so long as Japanese banks' domestic difficulties persist. When loans are made available, they are also likely to be more expensive than in the 1980s.

When Mr Alan Greenspan, chairman of the US Federal Reserve Board, came to Tokyo last month, he delivered a grim warning that asset deflation – which is undermining the profitability and lending ability of banks in the US, UK, Australiaand Scandinavia as well as Japan – was a malaise which would take a long time to cure. He also stressed that world economic growth would be sluggish until the debts of the 1980s were paid off.

So unless the Japanese government intervenes, Japan's debt problems are likely to hinder both the domestic and the world economy for some time. As yet the government has been unwilling and unable to commit large sums of money to bail out the banks, and thereby help them into a position to start lending again when the economy picks up. This is largely because there would be a outcry from a public which has little sympathy for bank executives who are widely regarded as overpaid and underworked. All the government has so far been willing to offer the banks is tax credits to allow the banks to write off their losses against profits.

The banks have set up an agency to buy the land they used as collateral for some of their bad loans, thus allowing them to calculate their losses at realistic land prices. But this agency will be funded by the banks and have no public money. On the other hand, the government has been willing to use public funds to buy land to stabilise land prices.

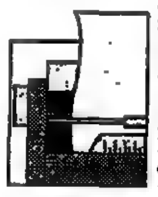
The authorities face a dilemma. An injection of public funds into the banks' land-buying agency may be essential to speed up the writing off of bad debts and thus limit the wider economic damage of a protracted crisis. But that may only be politically possible once there is an sudden bank failure of large proportions. Unless and until this happens, the banks will have to fend for themselves.



PERSONAL VIEW

Not such a capital idea

By Stephen Bond and Evan Davis



It is customary for business to seek bigger tax allowances from the chancellor of the exchequer, and no surprise that Mr Howard Davies, director-general of the Confederation of British Industry, used his speech at the recent CBI conference to invite the chancellor to "think hard" about capital allowances.

What is more surprising is that this chancellor should respond to these calls, introducing a temporary increase in allowances in the Autumn Statement. It was, after all, Mr Norman Lamont who so eloquently rejected the idea of raising capital allowances in this year's Budget speech, when he said: "Good quality private investment will come not from artificial subsidies or incentives, but in response to consumer demand . . . I have concluded that, whatever its superficial attractions, an increase in capital allowances would not be a sensible use of the resources available."

It is tempting to see the chancel*lor's policy* reversal as a clever way of boosting demand, or as a means of promoting the interests of industry. But in fact, while investment in 1993 is increased, this is only at the expense of investment in 1994 and *1995. His scheme is not about help*ing the economy in the long term.

The increase in first-year capital allowances means that companies can claim a bigger deduction against corporation tax in the year they undertake investment spending, albeit at the cost of lower tax allowances for depreciation in subsequent years. It works rather like a loan from the exchequer to a company. At the current corporation tax rate of 33 per cent a 15 percentage point increase in capital allowances – from 25 to 40 per cent – is

MANUFACTURING INVESTMENT AS % OF MANUFACTURING OUTPUT

1980	13.9	1986	12.8
1981	11.6	1987	13.0
1982	11.3	1988	13.5
1983	10.9	1989	14.4
1984	12.5	1990	13.7
1985	13.9	1991	12.7

like the government giving a 5 per cent interest-free loan on every pound invested.

This will not do much to persuade a cash-starved company to engage in new spending if markets are depressed. But a lot of investment occurs anyway: about £50bn a year by industrial and commercial companies. And while the tax concession will not be enough to generate new investment, it will persuade many companies to bring their 1994 investment spending forward into the year ending October 1993, to enjoy the more advantageous tax rules.

Temporary changes in taxation can have important effects on investment spending. The phasing out of high first-year capital allowances announced in the 1984 Budget gave companies a large fiscal incentive to bring investment spending forward. *As the table shows*, manufacturing investment rose sharply in 1984 and 1985, and then fell back in 1986.

The fiscal incentive then was about three times larger than the effect now. *Nevertheless* the Institute for Fiscal Studies estimates that business investment in the next 12 months could be as much as 6½ per cent higher than it would otherwise have been as a result of the temporary increase in capital allowances announced last week.

So what is the downside?

Unfortunately the boost is likely to be short-lived, and investment in 1994 sharply lower than it would otherwise have been. Spending that has been brought forward into 1993 will not be repeated. This is a short-term fix which does not promote investment in the longer term.

Where does this leave Mr Lamont if the economy is still in recession next year? It would be stretching his credibility to repeat the exercise to get people to bring their 1995 investment into 1994. Only if he were quite certain that low investment in 1994 would not cause any problems could there be some merit in the chancellor's policy. Given the limitations of economic forecasting, we would favour a less cavalier approach.

A further problem with this kind of measure is that it introduces a new element of unpredictability into the tax system with all the attendant costs. What we do not want as we enter the next recession is for companies to delay their investment in the expectation of a special tax concession if they just wait a few months.

The chancellor began his Autumn Statement by insisting that "the government has no intention of engineering a short-lived boom", and proceeded to introduce a supplementary package of time-limited *fiscal measures*, the sole rationale of which is that they can deliver a short-term stimulus. Long-term business planning is not aided by this interference in the tax system.

Norman Lamont was right to reject this policy in March, and wrong to succumb to its superficial attractions now. If he wants to promote industrial investment for the long term, he needs to embrace a more serious restructuring of the corporate tax system than this.

The authors are researchers at the Institute for Fiscal Studies.

Joe Rogaly

Lonely ride into sunset

Unless John Smith transforms the UK's Labour party and speeds up its move to the political centre, another election defeat beckons

There is a short answer to the question, "does the British left have anywhere to go?" It is "no". For the Labour party appears to be living in a fantasy world in which the Conservatives self-destruct, an early general election follows, and Mr John Smith becomes prime minister.

The dream will not come true. Not that way. Mr Smith *may* one day move into Number 10 Downing Street, but first he must totally transform his party. If it is to win again, Labour must no longer be regarded as a party of the left. It must be separated from the trade unions. There is time for such a renewal. No election need be held until 1996 or 1997. By then the redistribution of constituency boundaries will have created another 10 or 20 seats whose demographic profiles favour the Tories. The recession will (surely) have come to an end. The party that faced the Conservatives in mid-slump in April 1992 and lost will, if nothing has changed, lose, lose and lose again.

Reality could be different. If Labour makes a complete break with its own history and traditions – in essence, creates a fresh political force – it may stand a chance. The slimness of that chance may be measured by the performance of the Democrats in the recent US elections. Governor Bill Clinton did not campaign as the candidate of the poor, the dispossessed or the proletariat. He ran on a promise to meet the concerns of the middle classes. Socialism neither entered his mind nor obscured his vocabulary. He denied his party's liberal past by stressing the "new" in "new Democrats". The public feeling was that there was no end to the recession. Mr Clinton peddled a Keynesian revival, Victorian social values and "hope".

In the event he won by a far smaller margin than had been anticipated. Had it not been for a statistical quirk, much of that advantage could have melted away. The US Commerce Department's estimate of third-quarter growth, originally 2.7 per cent, was revised upwards this week to 3.9 per cent. President George Bush must be wondering what might have happened if that figure had been available, and believed, during the campaign. As it is, Mr Clinton may enjoy the advantages of coming to office at the start of a return to real growth in the US economy.

Mr Smith is not so fortunate. He has become Labour's leader in time to see prosperity return before he gets to fight a general election.

Truly there is no hope for parties of the left, not in the sense the term has been used until now. Professor J K Galbraith has an explanation. He believes that during the last half century the left, particularly in Britain, has saved capitalism. He said so on Tuesday. In a lecture to the Institute for Public Policy Research, a think-tank of the left, he listed old-age insurance, unemployment compensation, medical care, public housing, improved public services, the ending of the "once-cruel exploitation of women and children" and the like as ingredients of a social revolution that "has taken the cruel edge off capitalism". In consequence "our claim is not to violent change, certainly not to revolution. It is to a socially better performance by the existing system." We are now, the professor intimated, in the age of "constructive pragmatism".

Major has had a run of bad luck, but he has not sought to place the cruel edge back on to capitalism

That would be all fine and dandy for Labour if the Conservatives represented something else – destructive ideology, say. They did for a while, particularly during the years 1987-1990. But just two years ago this weekend they jettisoned the then Mrs Margaret Thatcher and replaced her with the supremely pragmatic Mr John Major. He has had a run of bad luck, and at times has made the worst of his misfortunes, but he has not sought to place the cruel edge back on to capitalism. Contrary to Labour's eager expectations, the social security budget has not been cut. Most payouts will be increased in line with inflation.

This will leave the poorest among us with pretty thin gruel. For the life of me I cannot imagine what it is like to live on income support or unemployment benefit of less than £2,250 a year (basic levels for a single person). Yet Labour could only find money with which to improve on these meagre sums by increasing taxation. To propose that is a proven vote-loser. Mr Clinton advocated tax increases for families with annual incomes greater than $200,000. He only just got away with it. The Clinton programme, which centres around "workfare", is politically saleable as a hand-up, not a hand-out. The benefit system that most appeals to electorates on either side of the Atlantic is the one that delivers comfort and cash to the middle classes.

Labour is still wrestling with this. The "Commission for Social Justice" which Mr Smith espouses has yet to be established. I am told that its chairman will be known by Christmas. He or she will do well to approach half the standard of intellectual rigour and thoroughness of the Beveridge Report, the work of a Liberal, which was first published exactly 50 years ago. Beveridge advocated workfare, proposing that unemployment benefit should be "subject to requirement of attendance at a work or training centre after a limited period . . ." After that, "complete idleness even on an income demoralises". He did acknowledge the proposal to be impracticable in periods of high unemployment.

A second Beveridge lesson for Labour is fiscal. The report, printed in 1942, projects spending on social security for the years 1945, 1955 and 1965. Only the cost of pensions rises significantly. Unemployment benefit falls slightly; the health services (which would soon make everyone well) remain at a flat level of cost. As an exercise in optimistic under-estimation of future expenditure the Beveridge arithmetic has not to my knowledge ever been exceeded – not even by the designers of nuclear generating plants.

Labour must find new ways of thinking, and get them straight. One of its unique selling points should be constitutional reform. Another should be strong environmental protection, using selective taxation as an instrument. A carbon tax would be a mixed blessing, but it could serve as a method of raising revenue that, like VAT, would be politically less painful than direct imposts on incomes.

The danger is that the Tories are already ahead: they are making pencilled-in calculations about both a carbon tax and toll booths for roads. The government is also denying Labour the opportunity of differentiating itself by promoting the abandonment of strict monetary controls in favour of Keynesian pump-priming.

Mr Smith, who became leader on July 18, is approaching all of this at a measured pace, with long interruptions to respond to the dramas on the Conservative benches. Some of his colleagues believe that he cannot afford such a luxury. If he is ever to become prime minister, his goal for 1993 should be to create a new party. He would then have about three years – a desperately short time – in which to convince the voters that Labour really had changed. It will be amazing if he pulls it off.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Positive reasons for financial intervention

From Mr A Allcock.

Sir, The FT of November 25 was an object lesson in the power and application of market-distorting financial intervention, the positive reasons for it and the continued lack of government commitment to its necessary application to the UK's manufacturing industry. Your leader concerning the European steel industry quite rightly says that subsidised inefficient capacity could destroy lower subsidised efficient capacity. I agree. But this is exactly what has been allowed to happen at large to the UK's manufacturing industry over the past 13 years as other competing countries have supported theirs.

On the other hand, immediately adjacent to your leader is an article in which the government is shown perfectly happy to distort the market for television programmes by allowing the flat-rate TV licence to continue to support programmes which the market would not sustain. It is admitting that a free market would destroy "good" television. I agree such distortion is necessary, but why only for the BBC?

Finally, on page 10 you report the Department of Trade and Industry's "exports strategy". It is naive to believe that this £10bn increase will not itself cause a substantial increase in imports which form a large part of our exports. As the DTI never tires of telling, the UK already exports 80 per cent more per head of population than Japan. Quite clearly it imports a great deal more, too. The real problem is one of import substitution. There are too few medium-sized manufacturing companies, the backbone of manufacturing industry in Germany, Japan and Italy, and, therefore, too few British designed and manufactured products.

Will the government be able to spot these links, I wonder?

Andrew Allcock,
10 Friars Close,
Tankerton,
Whitstable, Kent CT5 1NU

Legally possible, if politically unwise, to isolate France

From Mr Michael Tracy.

Sir, The possibility of France using its "right of veto" against the US-EC farm trade deal continues to be evoked.

There is in fact no legal right of veto on matters where the Treaty of Rome provides for the EC Council of Ministers to decide by qualified majority. This includes agricultural policy (Article 43) and commercial policy (Article 114).

The 1966 "Luxembourg compromise" was a political document, not a legal one, and was in fact an "agreement to disagree" among the original six Member States. Its full text (which can be found in the Commission's Ninth General Report) states:

"I. Where, in the case of decisions which may be taken by majority vote on a proposal of the Commission, very important interests of one or more partners are at stake, the members of the Council will endeavour, within a reasonable time, to reach solutions which can be adopted by all the members of the Council while respecting their mutual interests and those of the Community. . . .

II. With regard to the foregoing paragraph, the French delegation considers that where very important interests are at stake the discussion must be continued until unanimous agreement is reached.

III. The six delegations note that there is a divergence of views as to what should be done in the event of failure to reach complete agreement."

Even assuming that the "Luxembourg compromise" still has some political validity, a country which invokes a "very important interest" can be overruled, as Peter Walker (then minister of agriculture) found to his cost in 1982. It depends on the president agreeing not to take a vote, or, failing that, on a sufficient number of countries abstaining or voting against to constitute a blocking minority.

It may be politically unwise to isolate a country in this way, but it is legally possible.

Michael Tracy,
Agricultural Policy Studies,
20 rue Emile François,
1474 La Hutte (Genappe),
Belgium

Finance, not a name, to blame

From Mr Tony Pratt.

Sir, With regard to your article "Ice cream ambitions take a licking" (November 21), I would like to put the record straight concerning Clarke Foods' purchase of Lyons Maid.

The article stated that "arguments over the use of the Lyons name delayed the deal by five months until February 1992".

Not so. The delay was caused by the time needed for Clarke Foods to put in place its financing arrangements.

Tony Pratt,
director of corporate affairs,
Allied-Lyons,
24 Portland Place,
London W1N 4BB

Determined to move forward

From Mr John Nelson.

Sir, I should like to clarify your report about the re-signalling of the London Tilbury and Southend line ("BR halts Tilbury line upgrade", November 21).

The renewal is authorised and we are examining ways of funding the cost within a difficult economic environment. We will know in the next two months whether we are in a position to take it forward, but there is a determination to do so.

John Nelson,
managing director,
Network SouthEast,
Network House,
1 Eversholt Street,
London NW1 1DN

Members are inattentive

From Mr Michael Cranna.

Sir, Ms Arrowsmith (Letters, November 20) may have missed the point of our article ("Omissions on options", November 18) when she cites the various institutional shareholder guidelines that cover issues such as equity dilution, discounting and voluntary lapsing of share options.

She does not dispute that these flaws exist, but states that there are regulations to prevent misuse. We agree, and applaud the extent to which the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF) have created such comprehensive guidelines.

However, the point of our article was to illustrate how little impact these issues and their regulations have at the individual pension fund manager level. Certainly, with respect to issues of executive remuneration, the ABI and the NAPF are anything but "inattentive", but their thousands of members often are, as has been admitted.

Michael Cranna,
researcher,
London School of Economics,
Houghton Street,
London WC2A 2HD

No efficiency in electric cars

From Mr F Chilton.

Sir, How can you refer to "electrically-powered, non-polluting vehicles" ("Electric vehicles 'to boost copper demand'", November 24)? The electricity has first to be generated in a power station, most probably fuelled by coal; the efficiency of converting the coal into electricity will be in the order of 35 per cent. Next, the electricity has to be fed through supply lines to the point of use where it will charge the batteries of the "non-polluting vehicle". Transmission losses and battery efficiency take their toll and the "non-polluting vehicle" becomes the most inefficient user of energy imaginable.

F Chilton,
The Alders,
Grosmont,
Whitby, N Yorks

OBSERVER

Yachting legend

■ Nigel Burgess, drowned yesterday in the Vendée Globe solo round-the-world race, was a giant in the world of yacht brokerage. Although his private – and ultimately fatal – passion was racing single-handed sailboats, his business was the sale and management of vast motor-yachts worth millions.

His company, Nigel Burgess Yachtbrokers, had sold the ship best-known as Trump Princess twice. The first time was for Adnan Kashoggi. When the Middle East's most visible Mr Fixit ran short of funds Burgess found a willing buyer in Donald Trump despite the property tycoon's avowed aversion to the sea.

When Trump in turn found himself financially foundering, Burgess steered through a second sale to a Saudi buyer. Even more lucrative than the commission on the sales was that management of the vessel and its crew of 50-plus was handled by Nigel Burgess Yachtbrokers.

His immense discretion about his business did not stop stories of his dealings from entertaining the industry.

For instance, at the time Kashoggi's yacht was sold it bore the name of one of his daughters, Nabila – retention of which, under the Arab code, would have been an insult once the boat was out of the family. Trump eventually agreed to change the name to Trump Princess...for $1m off the $30m purchase price.

0 out of 10

■ Yesterday was the first day of the rest of the life of Gerald Ratner. After his sudden departure from the eponymous jewellery chain, he was assigned to do the school-run. But his accomplishment of this task does not bode well for the future. He got lost and had to ring home on the car phone for directions.

Smoke signal?

■ Warburg's Sir David Scholey has been telling anyone who cares to listen that he's faintly embarrassed by being the bookmakers' favourite candidate to become the next Governor of the Bank of England. He really has no ambitions to fill that post – or so he says.

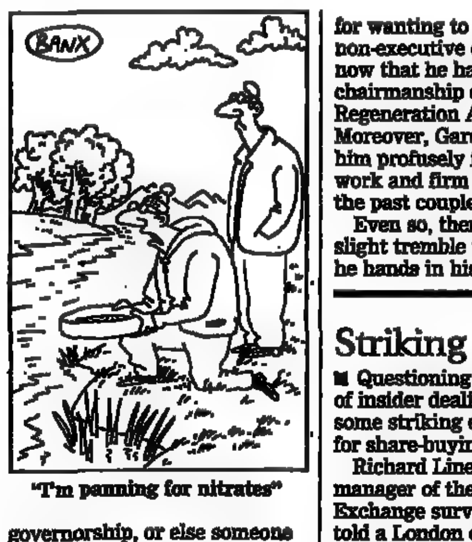
Few in the City take him seriously. Fellow bankers generally say he is the best candidate and they do not believe he would turn down the post. Hence the amusement at the speculation that Lord Weinstock has approached him to join the GEC board, with a view to Scholey's eventually becoming chairman.

True, he and Lord Weinstock go back a long way. Sir Ronald Grierson, who retired as a GEC vice-chairman last year, was an old Warburg hand, and Weinstock's heir, Simon, worked at Warburg for five years. But would Scholey really want to take on the chairmanship of GEC which is regarded by many as little more than a high-powered public relations job?

Aside from Lord Nelson, all GEC chairman up to now have been former politicians, the ambassadorial rather than the entrepreneurial type. Everyone knows that it's 68-year-old Weinstock who pulls the strings. Who takes over from him is the real question.

Of course, when Weinstock eventually steps down, GEC may well require a very different type of chairman. In the meantime, the speculation is probably either a smokescreen while Scholey waits to find out about the governorship, or else someone has got his name mixed up with that of Sir Bob Scholey, British Steel's ex-chairman.

If only he were 10 years younger, *he* would have made an excellent GEC chairman. It's hard to believe that GEC needs a banker at the helm.



"I'm panning for nitrates"

Step ahead

■ One has to admire Lord Walker of Worcester's impeccable timing. He parted company with Jim Slater well before Slater Walker went down, quit the Conservative government before the rot set in, and has assembled one of the most impressive string of directorships of any former cabinet minister.

He was chairman-designate of Maxwell Communications but backed out less than four months before the late tycoon jumped ship. Last month he stepped down as a non-executive director of troubled training group DC Gardner.

Lo and behold, a few weeks later Gardner's chief executive Barry Topple is toppled after terrible trading news.

Walker had a good excuse for wanting to reduce his non-executive directorships now that he has taken on the chairmanship of the Urban Regeneration Agency. Moreover, Gardner thanked him profusely for "his hard work and firm support" over the past couple of years.

Even so, there might be a slight tremble the next time he hands in his notice.

Striking

■ Questioning those suspected of insider dealing can lead to some striking explanations for share-buying sprees.

Richard Lines, operations manager of the Stock Exchange surveillance group, told a London conference on financial crime of one man who said his large and sudden purchase had been prompted by his noticing that a certain chief executive had removed the personalised number plates from his Rolls-Royce. That obviously meant he was getting ready to leave when his company was taken over.

Another impressive "excuse" went: "My wife and I were having a row when she hit me with one of the company's products. I was so impressed with its sturdiness that I decided to buy some of the shares."

However genuine the explanation, Lines said, the experience must have been bruising. The product in question was a kettle.

Name change

■ The City of London cherishes its traditions and, as is customary, its police committee's past chairman Geoffrey Gass has had a police horse named in his honour.

But oddly enough, whereas the horse usually takes the ex-chairman's surname, this one has been called Geoffrey.

FINANCIAL TIMES
Friday November 27 1992

Russian leader reneges on deal with opposition over pro-market reforms

Gaidar rules out compromise

By John Lloyd in Moscow

RUSSIA'S acting prime minister, Mr Yegor Gaidar, yesterday ruled out compromise on four key planks of his pro-market reforms, threatening a delicate accord worked out between the government and the powerful opposition Civic Union.

The breach in what had been assumed to be a firm deal offering Civic Union's support for the government in return for a moderation of the economic reforms could return the Russian political world to serious confrontation.

The agreement had received quiet encouragement from international financial institutions.

Mr Gaidar told parliament he was willing to compromise with the Civic Union. But he insisted there would be no going back to a state distribution system; no large increase in the money supply; no wage and price freeze; and no fixed exchange rate lower than that set by the market.

Civic Union's leaders will probably delay a decision until it has met tomorrow. Both sides still have several days left to manoeuvre back into agreement before the opening of the Congress of People's deputies next Tuesday.

However, the Itar Tass news agency reported that Mr Arkady Volsky, a Civic Union leader and president of the Russian Union of Industrialists and Entrepreneurs, had charged the government with reneging on the agreement reached at the weekend.

An immediate crisis was averted yesterday when Mr Ruslan Khasbulatov, parliamentary speaker, deflected calls for the government's resignation from hardline deputies of the now-banned National Salvation Front.

Firm stand: Russia's acting prime minister Yegor Gaidar rules out a compromise on economic reforms

Mr Nikolai Travkin, leader of the Democratic party, one of Civic Union's three founding parties and the most consistently hostile to the government, told parliament that while the Gaidar government had done a service in destroying the old system, it must still be sacked.

President Boris Yeltsin offered a conciliatory gesture by abolishing the post held by Mr Gennady Burbulis, state secretary, a figure hated by the Civic Union for his dismissal of their policies. But Mr Burbulis was immediately named head of the president's advisory council, essentially the same function he now fulfils, and the move was generally seen as a transparent manoeuvre.

Mr Andrei Kozyrev, foreign minister and another Civic Union target, flatly denied rumours that he had also been fired. He said Mr Yeltsin had told him there would be no further changes in the cabinet for the present.

In his speech to parliament, Mr Gaidar made some significant concessions to Civic Union's stance, calling for an industrial strategy absent in Russia until now. It would involve selective aid, export credits, the assistance of Russian companies to win large contracts and more help to lower income groups.

He wanted, he said, to "replace a general crisis with a structural crisis" – to allow decline only in those industries for whose goods there was little or no demand rather than in all industries irrespective of demand.

Germany faces long-term price threat

By Christopher Parkes in Frankfurt

GERMAN inflation could persist as a threat to monetary stability beyond the end of the decade, Mr Hans Tietmeyer, vice-president of the Bundesbank, suggested yesterday.

As new figures were published showing prices in western German stubbornly refusing to fall, Mr Tietmeyer said he hoped the new century would be an era of stability.

However, he warned: "At present this is unfortunately oriented more to the principle of hope than to reality."

Germany in particular was in a difficult transitional period, he said in a speech at Cambridge University. The challenges of German unification were still far from being met. Nor had "necessary decisions" on corrections to fiscal and wage policies yet been taken.

"In our opinion, price increases of 3.5 to 4 per cent cannot be consistent with the principle of monetary stability in the long run," he added.

The government of Bavaria yesterday reported its fourth consecutive month-on-month increase in inflation which took the annual rate to 4 per cent.

In North-Rhine Westphalia, Germany's most heavily populated state, prices have risen 0.5 per cent since October and the annual rate is now 3.7 per cent. Prices in Baden-Württemberg rose 0.3 per cent during the month, leaving the annual figure unchanged at 3.3 per cent.

Provisional figures for the whole of west Germany are due in the next few days.

Mr Tietmeyer said that a public debate on "necessary corrections" had recently started in Germany, and this was a positive sign. But he hinted that while his country sorted out its problems, others had work to do. In the meantime, further realignments within the European exchange rate mechanism might be necessary.

Exchange rate stability was desirable, but justifiable only if economic fundamentals in the economies concerned were kept closely in line. "As long as this is not the case, exchange rates must be adjustable to avoid disadvantages for all countries," he added.

German inflation, a crucial element in the criteria governing the Bundesbank's present punishing interest rates regime, has benefited from external factors such as falling oil prices and lower costs for seasonal goods.

However, according to a study from the Berliner Bank, when these are stripped out, prices have been increasing since July at an annual rate of 4.8 per cent.

The source is home-made inflationary pressure from rents and the price of services. The cost of repairs and other services has risen at an annual rate of 8 per cent in the past three months.

Brussels attacked over fraud

Continued from Page 1

mer Soviet Union which now covers 10 countries. It found that appraisal of projects took between 13 and 18 months, judged its contribution to the private sector as "feeble" at the start of 1992, and considered that the programme's extensive use of subcontracting was inefficient.

The court concluded that the EC was not equipped to deal with its new responsibilities for helping former communist countries in eastern and central Europe "until late in the day".

The court also said that it saw no economic reason for building a 60-metre wide highway through thinly populated jungle in the western African state of Cameroon.

And it voiced concern over the 11 per cent increase in travel expenses for European MPs to Ecu32m to cover the shuttle between their constituencies European Parliament locations in Brussels, Luxembourg and Strasbourg.

The Commission yesterday responded to the criticism by pointing out that some of the waste was the result of political decisions by member states, particularly on farm subsidies.

Errors and shortcomings were often related to Community law, while the court had to be careful about making dubious generalisations and conclusions on the basis of isolated examples.

Labour likely to hold balance of power after Irish election

By Tim Coone in Dublin

THE IRISH Labour party has made sweeping gains in Dublin at the expense of the two main right-of-centre parties, and picked up seats in rural constituencies, according to early returns from Wednesday's general election.

Such victories over Fianna Fail and Fine Gael would establish Labour's ability to hold the balance of power in a new coalition government.

The returns, calculated before taking into account transfer votes under Ireland's voting system, show Fianna Fail, Ireland's strongest party since independence in 1921, suffering its worst setback in 50 years. Its share of the vote appears to have fallen to just above 40 per cent, which would secure only 70 of the 166 seats in the Dail (parliament).

Labour appears to have doubled its share of the vote from 9.5 per cent in the 1989 general elections to more than 20 per cent, giving it the breakthrough it has sought since its foundation in 1912. Labour candidates have topped the polls in 10 of Dublin's 11 constituencies and, overall, is projected to win 30 seats.

Having broken the grip of the two larger parties in the capital and made significant advances in rural seats, Labour sees itself as just one step away from becoming the second force in Irish politics, displacing Fine Gael.

Mr Dick Spring, the Labour party leader, said: "We have laid the foundations for achieving that in this election . . . and I am confident it is the start of a new era in Irish politics."

Labour must now decide how to exploit its strength in negotiating the formation of a government with either Fianna Fail or Fine Gael. Mr Spring made it clear before the elections that he would extract a high price for Labour support, preferring to force the main parties into a right-of-centre coalition, and to continue building a social democratic alternative from the opposition benches.

● Ireland's central bank announced that overnight interest rates for new funds would next Monday increase to 100 per cent from 30 per cent. The move follows continued speculation that the punt will be forced to devalue shortly.

One-month wholesale money is being made available at 14.75 per cent in an effort to delay the inevitable rise in commercial bank rates which is to be triggered next week by the rise in overnight rates.

Mr Chris Johns, chief economist at the Bank of Ireland group treasury, said: "It will work for a few days, but it smacks of Micawberism. They are waiting for something to turn up. Only a drop in German interest rates will save the punt now."

Queen to pay tax and support relatives

Continued from Page 1

The announcement came in scripted exchanges in the House of Commons between Mr Major and Mr John Smith, leader of the opposition Labour party, who had been briefed on Tuesday. Mr Smith asked if "in view of the evident public concern" whether he had had discussions with the Queen about her finances.

Mr Major replied that "affection and respect" for the monarch was widespread and the sovereign was not liable to pay tax on her personal income. "But Her Majesty some months ago, before the summer recess, indicated to me that she wished consideration to be given to changing these arrangements".

The Queen will not be taxed on the sums voted by MPs to cover costs of items such as Royal flights and trains which totalled £57m last year. She will also pay tax on private income from the Duchy of Lancaster. The Prince of Wales already pays tax on his private income and voluntarily contributes 25 per cent of income from the Duchy of Cornwall.

THE LEX COLUMN

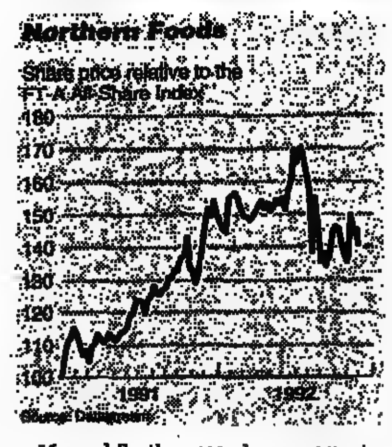
Green concerns

Farmers and food retailers have every reason to play down devaluations in the green pound. After all, any downward adjustment in the EC's funny money – and there was another small one yesterday taking the cumulative total to 12 per cent since September – boosts rural incomes and puts up prices in the shops. No doubt a Chancellor striving to stay within his new inflation ceiling will want to keep mum. Northern Foods, in the form of its chairman Mr Chris Haskins, is effectively crying foul.

Mr Haskins, of course, is playing to the gallery too: in his case the supermarket customers who he fears will not enable him to pass on the extra costs. But his assertion that green currency changes may add up to 8 per cent to some food prices next year is a timely warning of the pressures which the food industry will be labouring under. With retailer competition and trading down by consumers intensifying, it is just as well that Northern is highly geared to lower interest rates and will soon start reaping the benefits of its massive restructuring.

Solid earnings growth is assured for the next couple of years, but there is a question mark over where the momentum comes from thereafter. The market, though, has already taken some of the froth off Northern's rating, with the shares now 16 per cent below their relative high. The company is probably better placed than most to stand up to its customers.

FT-SE Index: 2741.8 (+32.2)



Japan

The Japanese equity market was well prepared for yesterday's dismal slew of results from the big banks. Besides, there are a couple of silver linings. One is that all the large commercial banks are now above minimum international standards of capital adequacy. By widening their lending margins as interest rates came down, the banks also generated stronger operating profits against which to help offset bad debt provisions. Whether the sector can hold on to its remarkable 25 per cent gain relative to the market since early April is another matter.

The suspicion remains that banks have only recognised the tip of a bad debt iceberg. The best of the gains from wider margins have now passed. Interest rates have fallen by 2.5 percentage points since this time last year. Even allowing for a possible cut in the discount rate next month, there is surely little more to come.

Meanwhile the recession appears to have spread from the epicentre of the Tokyo property market to manufacturing industry, especially small businesses in the provinces. That points to bad news to come from the regional banks. Even if yesterday's optimistic economic outlook from the Organisation for Economic Co-operation and Development proves correct, there seems little chance of the banking sector providing much more of a boost to the Nikkei.

BPB

The plasterboard war seems to have ground to a standstill, but corporate battle fatigue may not be enough to raise prices significantly. BPB, Lafarge Coppée and Knauf might all want higher profits, yet each still has to juggle price against volume. There is still excess capacity, particularly in the UK, and the British and French markets continue to weaken while Germany's decline has yet to come. The omens for sustained price rises are not good.

Indeed, BPB's decision to cut its dividend at the interim stage reinforces that view, however confident the company tries to sound. To be sure, the payment was at an unsustainable level and the new chief executive may want to start with a clean sheet, but trading prospects can hardly be rosy. With the dividend "rebased", the market must adjust its valuation of the stock. A 25 per cent yield premium may not be enough, given that even the reduced payment will be barely covered by earnings this year. And the prospective earnings multiple of 24 clearly looks far ahead to better times.

Presumably those will one day return, and BPB's strong market position will eventually earn rewards. But that only highlights the narrowness of BPB's focus. A little judicious diversification when the company was making £200m of profits might have prevented it scraping to earn £50m now.

Thyssen

Given the deteriorating German economy, it is natural to wonder whether yesterday's dividend cut from Thyssen will be its last. After all, British Steel cut its dividend last year only to omit its interim this. Germany may not yet be facing a UK-style recession, but its steel producers confront some particular handicaps compared with European rivals whose currencies have devalued. Still, things would have to get much worse for Thyssen's new dividend, which is nearly twice covered, to come under threat.

Yesterday's preliminary – and incomplete – figures suggest that operating profits held up better than many expected. The 33 per cent fall in 1991-92 net profit will have been struck only after as yet undisclosed provisions for steel rationalisation which should boost net profits by some DM200m from 1993-94. The question for the current year is how much other businesses will contribute to offset continuing weakness in steel.

Budd will clearly benefit from any US recovery, and there may be a modest gain from a stronger dollar. But the German market for capital goods will hardly be anything other than depressed. Even a secure net yield just below 4 per cent thus looks low. Earnings will doubtless snap back with economic recovery, but that will need help from the Bundesbank.

UK equities

Part of the reason for yesterday's FT-SE record close is that the UK market seems to have been a proxy for Wall Street during the US Thanksgiving holiday. Admittedly, indications of a stronger US economy are good news for many large British companies. With prospects for a Gatt agreement favourable, there may be fewer reasons to sell the market. But London might prefer to assess the degree of follow-through in New York before setting out to scale higher peaks – unless investors are prepared to overlook the continuing impact on UK consumer confidence from rising unemployment and falling house prices.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	11	52	Frankfurt	C	10	50	Majorca	S	20	68	Oporto	F	17	63	Tenerife	S	22	72
				Brussels	F	9	48	Geneva	R	13	55	Malaga	S	20	68	Oslo	C	2	36	Tokyo	C	18	64
				Budapest	F	8	46	Gibraltar	S	17	63	Malta	S	20	68	Paris	S	12	54	Toronto †	Fg	7	45
Ajaccio	S	18	64	Buenos Aires	F	23	73	Glasgow	R	5	41	Manila	C	30	86	Prague	F	11	52	Tunis	S	22	72
Algiers	S	22	72	Cairo	S	18	64	Helsinki	R	1	34	Melbourne	C	14	57	Reykjavik	Sn	0	32	Valencia	S	22	72
Amsterdam	F	9	48	Cape Town	S	29	84	Hong Kong	C	24	75	Mexico City	F	21	70	Rhodes	S	15	59	Venice	Fg	10	50
Athens	S	19	66	Caracas	F	29	84	Innsbruck	F	10	50	Miami †	S	25	77	Rio d'Janeiro	C	31	88	Vienna	F	8	46
Bahrain	F	23	73	Casablanca †	S	19	66	Inverness	S	4	39	Milan	C	11	52	Rome	F	16	61	Warsaw	F	9	48
Bangkok	F	30	86	Chicago †	C	1	34	Islamabad	F	19	66	Montreal †	C	7	45	Salzburg	R	8	46	Washington †	R	13	55
Barcelona	S	20	68	Cologne	F	10	50	Istanbul	F	12	54	Moscow	Sn	-2	28	S'Francisco †	F	11	52	Zurich	R	11	52
Beijing	S	-2	28	Copenhagen	R	5	41	Jakarta	R	31	88	Munich	R	11	52	Seoul	S	-3	27				
Beirut	S	15	59	Corfu	F	18	64	Johannesburg	S	21	70	Nairobi		–	–	Singapore	F	26	79				
Belfast	S	5	41	Dallas †	C	2	36	Lisbon	Fg	15	59	Naples	F	18	64	Stockholm	S	4	39				
Belgrade	C	11	52	Dublin	C	4	39	London	S	10	50	Nassau	F	25	77	Strasbourg	C	11	52				
Berlin	C	9	48	Dubrovnik		–	–	Los Angeles †	S	10	50	New Delhi	S	23	73	Sydney		–	–				
Biarritz	F	15	59	Edinburgh	R	6	43	Luxembourg	C	8	46	New York †	Dr	12	54	Taipei	C	19	66				
Bombay	S	32	90	Faro	S	21	70	Madeira	F	20	68	Nice	S	17	63	Tangier	S	19	66				
Bordeaux	R	13	55	Florence	C	15	59	Madrid	F	14	57	Nicosia	S	15	59	Tel Aviv	S	15	59				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Friday November 27 1992

INSIDE

Ferruzzi shakes up its management

The Ferruzzi family yesterday announced a management shake-up giving them full operational control of their agro-industrial, chemicals and energy group, Italy's second largest private empire. Mr Giuseppe Garofano departs as chief executive officer of Ferruzzi Finanziaria (Ferfin), the family's controlling company, and president of Montedison, the main subsidiary. Page 22

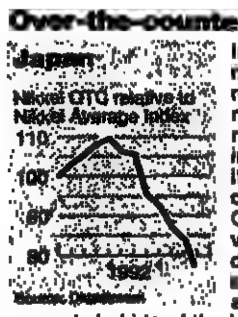
Bleak outlook for PVC

The outlook for European PVC producers is bleak. None is making money, due to massive overcapacity. Last week's announcement by Hoechst, the German chemicals giant, that it would merge its PVC business with Wacker-Chemie is likely to be only the first in a series of rationalisations within this industry. Page 23

Packer buys Westpac stake

Consolidated Press Holdings (ConsPress), Mr Kerry Packer's privately-owned publishing group, has emerged as the buyer of an 8.27 per cent stake in Westpac Banking Corporation, the troubled Australian bank. Page 24

Over-the-counter risks



Investors in the Japanese over-the-counter market (OTC) have seen more risk than return recently with the OTC index 72.5 per cent off its peak in 1990. Most companies listed on the OTC market have fallen victim to the economic downturn, the two-year slide in the stock market and the bursting of the property bubble of the late 1980s. Back Page

Nedlloyd reverses forecast

Nedlloyd, the Dutch transport group, expects to post a loss for the year, reversing earlier forecasts of a "modest" profit for the year. Page 22

Dark Sugar

Amstrad's 31,000 shareholders are still in the dark about the financial prospects for their company, in spite of Tuesday's marathon four-hour annual meeting which focused on Mr Alan Sugar's £113m ($172m) plan to buy back the shares he does not already own. For shareholders, the group's future prospects are a crucial factor in their decision to accept, or reject, Mr Sugar's offer. Page 28

Barbados sugar takes a caning

The collapse of the sugar industry in Barbados last month is the latest indication of the difficulties facing Caribbean producers. Now Booker Tate, a subsidiary of Booker, the UK food and farming group which has been called in to help sweeten the industry. Page 36

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Colonia Konzern	720	+	10
Heidelb Zem	620	+	10
Falls			
Douglas Hldg	425	−	12
Fag Kugelfischer	119	−	9
Leifheit	380	−	5
Philips Kommun	505.2	−	8.8

PARIS (FFr)

Rises			
Accor	545	+	17
Coparex Int	615	+	26
GTM-Entrepose	319	+	18.5
Parfums	337	+	12.1
Falls			
Fonc Lyonnaise	590	−	15
Immobanque	622	−	28

TOKYO (Yen)

Rises			
Fujiko	430	+	42
Ishihara Const	290	+	30
Kosaid	1960	+	290
Meisei Sangyo	1170	+	130
Toho Acetylene	198	+	27
Falls			
Kasho	730	−	60

New York closed.

LONDON (Pence)

Rises			
ASDA	$52\frac{1}{2}$	+	$2\frac{1}{4}$
Bentalls	93	+	12
Brit Aerospace	129	+	6
Cable & Wire	675	+	19
Dwyer	32	+	3
EurotunnelUts	368	+	20
Fisons	209	+	10
NSM	65	+	6
PowellDuffryn	416	+	27
Tesley (E)	64	+	7
Falls			
Allied-Lyons	643	−	15
BPB Inds	172	−	18
BristolScotts	49	−	15
Brown & Tawse	50	−	13
Chloride	$8\frac{3}{4}$	−	$1\frac{1}{4}$
Eadie Hldgs	12	−	3
Gardner (DC)	33	−	4
Hewetson	28	−	5
MacdnldMrtnA	400	−	70
Molins	358	−	22
Seton Health	281	−	11

Metro gets go-ahead for Asko deal

By David Waller in Frankfurt

GERMANY'S federal competition authorities yesterday reversed their decision to stop Metro, the privately-owned Swiss retail giant, from buying a majority stake in Asko Deutsche Kaufhaus, a large German retailer.

The reversal, coming just over two weeks after the Bundeskartellamt ruled that the merger would have been uncompetitive, paves the way for the creation of one of the world's largest retail groups with combined sales of more than DM70bn ($44bn).

The Berlin-based competition authorities have given their go-ahead to the transaction because the two companies have given binding undertakings to sell businesses with turnover of DM1.8bn, a relatively small share of the two companies' total sales in Germany which exceed DM50bn.

The authorities originally said that the transaction would have given the new grouping anti-competitive market dominance in certain parts of Germany in a number of different retail sectors. However the proposed sales of businesses in food, furniture and DIY sectors are enough to remove the original worries, the cartel office has decided.

A statement from Mr Erwin Conradi, Metro's chief executive, said the forced sales would be painful and lead to a serious weakening of its market position in a number of sectors. He said however that the fusion would lead to meaningful synergies between the two groups.

The stock market welcomed the news yesterday and Asko's shares rose from DM500 to DM533 on the assumption that the companies would benefit from the tie-up. Asko lost DM269m last year on sales of nearly DM20bn reflecting write-offs on acquisitions and share stakes. Sales had risen 64 per cent from 1991, reflecting the acquisition of the Co-op retail group.

Metro, which reported turnover of DM46bn last year, was founded by Mr Otto Beisheim, who copied the "cash and carry" concept from the US and opened his first store in Germany in 1964. Although the company subsequently moved its headquarters to Switzerland, it expanded rapidly and aggressively in Germany and it owns majority stakes in a number of German retailers, including the quoted Kaufhof and Kaufhalle.

Metro said it wanted to acquire a majority in Asko in July.

Thyssen to cut dividend by 40%

By Christopher Parkes in Frankfurt

THYSSEN, the German steel and engineering group, is to cut its dividend by 40 per cent to DM6 a share following a 38 per cent slump in net earnings for the year to the end of September.

Describing the results as "satisfactory" – profits were DM350m ($219.5m) compared with DM520 last time and DM690m in 1990 – the group reported advances in all main divisions except steel.

The business environment had worsened considerably in recent months, Thyssen said. There were virtually no signs of growth anywhere, and threatened subsidies and protectionism in steel markets were making a bad situation even worse.

Even so, the group expected its capital goods and trading divisions to report successful results for the current year.

Volume sales, turnover and profits at Thyssen Stahl, its main steel business, all suffered from the cyclical crisis afflicting the international market. Output fell 4 per cent and sales were down 5 per cent at DM9.9bn.

Turnover from the group's special steel activities, which are being merged with Thyssen Stahl, fell 8 per cent to DM3.1bn.

Government statistics, released yesterday showed that raw steel output in western Germany during October was 10.5 per cent lower than a year earlier. However, production for the first 10 months was down only 1.9 per cent. Last month's sudden drop was caused in part by implementation of Thyssen's plans to cut output by 25 per cent in the last quarter of this year and reductions in other companies forced by falling demand from industries hit by the general domestic slowdown.

Group sales fell 2 per cent to DM35.8bn for the year under review in spite of a 4 per cent improvement to DM8.7bn in the capital goods and processing division, which also showed improved profits. The US Budd subsidiary, which supplies the motor industry, also improved sales and returned to profits, Thyssen said.

Although turnover from trading and services fell 6 per cent to DM14.4bn – partly because of conditions in the steel market – profits improved here as well.

Efforts are being made to cut costs by reducing the workforce. Some 5,000 jobs are scheduled to go in the steel business alone. By the end of the last fiscal year the group payroll had been reduced by less than 1 per cent.

● HOESCH, another German steelmaker, announced an almost complete shutdown over Christmas and the new year, and said further cuts could not be ruled out.

Lex, Page 20

Nikki Tait and Andrew Jack on the implications for accountancy firms of Ernst & Young's $400m settlement over failed S&Ls

Past turkeys come home to roost

SENIOR partners in the leading US accountancy firms have some unpleasant after-dinner reading to do this week as they digest their Thanksgiving turkey – a weighty document detailing the $400m legal settlement just reached by Ernst & Young with the US federal savings and loan industry regulators.

The settlement is the largest agreed by an accounting firm, and will be closely scrutinised by its competitors for both the terms and the potential it brings for negotiations by other auditors to failed S&Ls across the US.

It has been privately welcomed by the regulators, the firms and insurers alike, although it continues to fuel the arguments of the accountants for litigation reform to provide protection against the escalating costs of defending themselves in court.

The professional firms are coming under additional pressures to settle on S&L audits in the face of punitive regulatory penalties introduced by Congress in the wake of the collapse of thrifts across the country.

Mr Michael Cook, chairman and chief executive of Deloitte & Touche in the US, which also faces a number of S&L suits, says: "This is an unfortunate example of what people are coerced to do because of the level and risks of litigation. There is a lot of logic to it. Going to the courts would make the lawyers very rich and the taxpayers would not end up with the proceeds."

The Ernst & Young settlement results from a wide variety of charges levelled against the accounting firm by three federal agencies – the Federal Deposit Insurance Corporation (FDIC), the Resolution Trust Company and the Office of Thrift Supervision (OTS). These are the bodies that regulate the savings and loan industry in the US, and which are still trying to recoup some monies from the widespread and extremely expensive failure of thrifts during the 1980s.

The allegations related to audit work which Ernst & Young, or Arthur Young, one of its predecessor firms, had undertaken for failed thrifts. The firm audited 400 of the 2,500 S&Ls, some of them among the sector's most notorious casualties – notably Denver-based Silverado, Lincoln Savings & Loan in California and Western Savings and Loan in Phoenix.

The charges ranged from claims that E&Y failed to review adequately property appraisals or make adequate allowances for loan losses, to assertions that it did not require necessary disclosure of transactions between the thrift and "related parties".

While E&Y has neither admitted nor denied guilt, the decision to settle looks thoroughly pragmatic, particularly as the deal appears to have been shaped to penalise the firm without seriously undermining its viability. That also seems to offer hope for other smaller firms facing similar legal action.

Lawsuits pending

Institution	Suit	Damages claimed ($ million)
First South	FDIC v Deloitte, Haskins & Sells and Touche Ross	400
Sunrise S & L	FDIC v Jacoby et al (including Deloitte, Haskins & Sells)	250
Sunbelt SA of Texas	FDIC v Edwin McBirney (including Grant Thornton)	200
Continental Illinois National Bank & Trust	FDIC v Main Hurdman	60
Cardinal Federal Savings	FDIC v Hausser & Taylor	19
Rooks County S & L	Roger Comeau et al v Terry Rupp et al	15
Territory S & L	FSLIC* v Rader, Carr & Monroe and others	15
Ramona S & L	FDIC v KPMG Peat Marwick	10
Montgomery National Bank	MNB v Wilson, Smith & Brown	9.5
First Mutual Bank for Savings	FMBS v William J. Pucci	5
Homestead S & L	FDIC v Stiehler & Co	4
American National Bank	ANB v Touche Ross	Unspecified
Phoenix Federal S & L	FDIC v Deloitte & Touche and others	Unspecified

Source: Federal Deposit Insurance Corporation

*Federal S & L Insurance Corporation

For a start, $300m of the $400m cash payment is covered by insurance. While the annual cover provided to the firm is below this level, it relates to many different claims spread over 10 years and so in no way threatens to approach the upper limits of professional indemnity.

The remaining $100m will be delivered over four years – solely by the US firm – and, according to E&Y, will be funded out of current earnings. This, in turn, might reduce the firm's future payouts to partners, but for a business which had US fee income of $2.2bn last year, a $25m-a-year penalty looks manageable.

The settlement is also a fraction of the total damage claims, which would have run to several billions of dollars. Potential litigation costs, had the charges been contested, could have topped $100m. For its $100m, E&Y gets immunity from prosecution for both the specified charges and from any potential charges.

Meanwhile, the regulatory agencies have scored a well-publicised PR coup. "This settlement shows that the government is ready, willing and able to resolve disputes through alternatives to costly litigation," claimed the agencies on Monday.

The settlement agrees to some partners being retrained and others banned from working on insured financial institutions. But E&Y insists that any lessons to be learnt from the S&L audits have long been taken on board.

With hindsight, the accountancy firms admit they would not have taken on many of the S&Ls as clients. Partly under pressure from insurers, they continue to enhance the risk assessments they make of prospective clients before agreeing to future audits.

It should be noted that accountants are not the only professionals targeted by the thrift regulators. Earlier this year, the New York law firm of Kaye, Scholer, Fierman, Hays & Handler agreed to pay $41m to settle a federal lawsuit from the OTS, which charged the lawyers with withholding information about Lincoln S&L from regulators.

The question now is whether other accountancy firms will fall in line. Ernst & Young is by no means the only firm targeted by the regulators for its audit work on failed thrifts, although its suits were among the largest and were dealt with first. The FDIC, for example, says it has a dozen pending lawsuits against other accountancy firms (see table), although some relate to bank organisations rather than thrifts.

Officially, neither the FDIC nor the OTS, which pursues its complaints against professionals who undertake work for thrifts, will comment on whether negotiations with other accountancy firms are underway.

But both KPMG and Deloitte & Touche have confirmed that they have held preliminary discussions. These talks have been temporarily stalled by changes in key personnel in the regulatory bodies, partly a result of the US presidential election.

There have already been some, much smaller, settlements between accountants and the thrift regulators – Coopers & Lybrand, for example, signed a "cease and desist" order with the OTS over Silverado in 1990. Earlier this year Arthur Andersen reached an out-of-court settlement with investors of American Continental Corp, holding company for Lincoln Savings & Loan. There is clearly an expectation that more will follow.

Japanese banks decline sharply

By Robert Thomson in Tokyo

JAPAN'S banks yesterday revealed some of the scars suffered in the collapse of the country's financial bubble, as the 11 leading commercial banks reported sharply lower first-half profits and a dramatic increase in their loan loss reserves.

The plunge in pre-tax profits, down by an average 37 per cent, came despite a general fall in interest rates during the six months to September, allowing the banks to exploit a favourable rate spread and boost profits on banking business by an average 47 per cent.

But those increases were wiped out by appraisal losses on securities holdings, undermined by the Tokyo stock market's continuing weakness. Appraisal losses for commercial banks, called "city banks" in Japan, rose 124.7 per cent last time to a combined Y417.5bn ($3.5bn).

The banks also reported an increase of Y326.8bn to Y1,099.2bn in loan loss reserves, some used to cover exposure to collapsed property developers, including the Olympia & York group of Canada as well as smaller Japanese companies. Tokai Bank set aside half its Y41.1bn loss reserves to cover Olympia & York debt.

As a result of the losses and provisions, net profits at Fuji Bank plunged 56.1 per cent, Dai-Ichi Kangyo Bank 42.4 per cent, Sakura Bank 40.8 per cent, Sumitomo Bank 40.7 per cent and Mitsubishi Bank 37.6 per cent.

Traditionally, Sumitomo has been the most profitable Japanese bank, but it lost that title to Sanwa Bank, which saw a 69.2 per cent increase in business profit to Y198.6bn and a 34 per cent drop in net profit to Y40.2bn.

Mr Paul Heaton, of Smith New Court Japan, said Japanese banks are likely to experience falling profits for the next two years.

"Unlike banks in the US, the Japanese banks cannot take their losses in one big hit and report zero profits. It's not the way in Japan. They will spread it out, but that also means they will take time to solve their problems," Mr Heaton said.

One source of comfort for the leading banks was that all succeeded in clearing the 8 per cent hurdle for their capital to assets ratio, as defined by the Bank for International Settlements.

Details, Page 24
Lex, Page 20

Grupo Torras defaults on loans

By Peter Bruce in Madrid

GRUPO TORRAS, the Spanish investment arm of the Kuwait Investment Office (KIO), has defaulted this week on a $200m loan from Crédit Suisse and another $200m credit from Bank of America. The KIO is obliged to repay the debt, further deepening the crisis surrounding its Spanish empire.

The defaults come as the Torras board, chaired by Mr Ali Rashid al-Bader, president of the KIO, met in London yesterday to consider placing the Torras group into receivership. Torras, which owns controlling stakes in some of Spain's biggest manufacturing companies, has debts of more than $3bn, its management says.

It is understood that the KIO auditors, KPMG Peat Marwick, and its lawyers, Stephenson Harwood, have told the KIO that placing Torras under judicial management would be a viable way of extracting the Kuwaitis from Spanish commitments entered into by the KIO's former management and its Spanish partners.

However, receivership might reflect badly on the books of the KIO, which has loans outstanding to Torras. Also it is not certain that these loans would be given preferential treatment by the receivers as they could be regarded as equity. Some analysts believe talk of a possible receivership might be designed to frighten bank creditors into renegotiating loans throughout the entire Torras group.

A senior adviser to the KIO in London denied reports that a firm decision had been made to begin legal action against Mr Javier de la Rosa, the KIO's former business partner in Spain, and the two former KIO leaders who directed the Spanish investments – Mr Fouad Jaffar, the KIO former general manager, and Sheikh Fahad al-Sabah, who retired as KIO chairman last February.

Stephenson Harwood and Peat Marwick have completed a preliminary investigation into allegations by the new KIO management that the $3.4bn invested in Spain between 1986 and last May was misappropriated.

Although the default notices this week from Crédit Suisse and Bank of America on the Torras loans automatically trigger guarantees by the KIO, they also reflect the deepening concern in international banking circles about how the new KIO and Torras management is dealing with the crisis in Spain.

Crédit Suisse on Tuesday cited Torras' decision a month ago not to approve its 1991 accounts as a reason for calling in its loan, plus more than $2m in interest.

BHF-Bank posts 17.2% improvement to DM238m

By David Waller in Frankfurt

BHF-Bank, the Frankfurt-based merchant bank, began this month's reporting season for the German banking sector with a set of sparkling figures for the 10 months to the end of October. Partial-operating profits – profits without a contribution from trading activities – rose 17.2 per cent to DM238m ($149.3m) at the parent bank against the comparable period for last year.

The figures, achieved on business volume up 6.7 per cent to DM35.6bn, suggest that the German banking sector remains an island of prosperity amid a rapidly deteriorating economic environment. In the next few weeks, other, larger German banks are expected to report significant profit growth for the 10 months, reflecting strong growth in lending in spite of high interest rates.

However, Mr Wolfgang Strutz, senior partner, warned that the lending climate had clearly deteriorated in recent months and was likely to do so further over the course of next year. The mounting risks hung "like Damocles's sword" over the banking sector and would be met with extremely vigilant credit assessment, he said.

Mr Strutz attributed the profits climb primarily to earnings on interest which rose 12.6 per cent to DM410m in the 10 month period. Fee income from areas such as corporate finance and securities business was of special importance for the bank, he said, and would probably amount to about half of the interest earnings over the full year.

BHF, unlike most other larger German banks, gives no figure for total operating profits, which includes profit on own account trading. BHF said that at the parent bank this had climbed by 5.7 per cent over the 10 months against the comparable period last year. For the group, business volume climbed by 8.5 per cent to DM52.5bn – above the DM50bn mark for the first time – and partial operating profits climbed by 16.9 per cent.

Nedlloyd sees reverse into red

By Ronald van de Krol in Amsterdam

NEDLLOYD, the Dutch transport group, expects to post a loss for the year, reversing forecasts of a "modest" profit.

The company gave no figures but said the full-year net result would be considerably better than the Fl 117m ($65m) net loss posted in 1991 before the inclusion of book profits on divestments.

Overall, Nedlloyd posted a net profit of Fl 145m in 1991, thanks to extensive book profits of Fl 263m. The company has already said that proceeds from divestments would be limited this year.

After barely breaking even in the 1992 first half with a net profit of Fl 1m, Nedlloyd said its unpublished third-quarter results had been "disappointing but positive".

"Taking into account, however, that a number of our activities usually show a weaker performance in the last months of the year, we now expect 1992 to close eventually with a loss," it said.

Nedlloyd blamed the downturn on a further weakening of economic conditions in key markets since it issued its profit prediction in August.

Despite the downwards revision of the profit outlook, Nedlloyd's shares closed up Fl 0.60 at Fl 30.20.

The company forecast that its ocean-shipping sector, which recorded an operating profit of Fl 44m in 1991, would post a small operating loss for 1992. This was due to lower freight rates in its container logistics business, which it said was producing satisfactory business volumes, as well as losses in two areas, the short-sea liner trade and the product-tanker trade.

However, its European road-hauling and distribution business is expected to swing into the black in 1992 after posting an operating loss of Fl 8m the year before.

Head of Savoy hotel group dies at 84

By Michael Skapinker, Leisure Industries Correspondent

SIR Hugh Wontner, president of the UK's Savoy hotel group, has died at the age of 84. Sir Hugh had fiercely defended Savoy from hostile takeovers for nearly 40 years and news of his death lifted the group's "A" shares 40p to close at 485p.

Market attention focused on Forte, which holds 69 per cent of Savoy's equity and 42.5 per cent of its voting shares. The Forte group would like to gain control of its rival, whose London hotels include the Savoy, Claridges and the Connaught.

However, both companies said yesterday they were bound by a 1989 pact under which Forte agreed not to purchase any more shares until the end of 1994.

Takeover attempts in the 1950s led the Savoy to create two classes of shares: the "A" shares and the "B" shares, which carried more votes. The Savoy board retained control over enough of the "B" shares to give them more than half the votes. This prevented control passing to Forte, whose then chairman, Lord Forte, conducted a bitter battle against Sir Hugh in the 1980s.

Mr Rocco Forte, Lord Forte's son and now chairman of the group, has said he would like to create a new company, comprising the Savoy properties and Forte's luxury hotels, in which Forte would have a majority stake.

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Philips joins French in plan to beat Japanese

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, is to join forces with the French companies Thomson and Sagem in an attempt to break Japanese dominance of the world market for advanced liquid-crystal displays (LCDs), widely used in small portable televisions and lap-top computers.

The three European companies said yesterday that they will pool their efforts in active matrix LCDs – which make possible the use of colour moving pictures, unlike passive LCDs which are common in digital watches and hi-fi equipment.

Philips is to own 80 per cent of the joint venture, with 10 per cent each to be held by Thomson and Sagem.

The Dutch company, which already has a pilot LCD plant in its home town of Eindhoven and which is currently building a factory nearby for commercial production, also said it plans to acquire a 10 per cent stake in Sagem, but it gave no financial details.

The world's commercial production of active matrix LCDs is the preserve of Japanese companies, particularly Sharp, Toshiba and Hitachi.

European producers of consumer electronics such as Thomson and Philips currently have to turn to Japanese suppliers for commercial quantities of LCDs.

The new joint venture, which will start operations in January, aims to manufacture active matrix LCDs for its three parent companies as well as for third parties.

"Turnover is expected to reach the level of some hundreds of millions of guilders in the coming years," Philips said.

At first, the venture's production process is to be based on Philips technology but eventually it will switch to technology co-developed by Sagem.

Ferruzzi family tightens its control

By Robert Graham in Rome

THE Ferruzzi family yesterday announced a management shake-up giving it full operational control of its agro-industrial, chemicals and energy group, Italy's second-largest private empire.

The central element in the change is the departure of Mr Giuseppe Garofano as chief executive officer of Ferruzzi Finanziaria (Ferfin), the family's controlling company, and president of Montedison, the main subsidiary.

Mr Arturo Ferruzzi, already head of Ferfin, will become chairman of Montedison, and Mr Carlo Sama, his brother-in-law and vice-chairman of Ferfin, will become chief executive officer of Montedison.

The two companies will thus have the same senior management structure and personnel with effect from January 1993, headed by Mr Arturo Ferruzzi and run by Mr Sama.

The change has been agreed amicably with Mr Garofano, who was promoted from the management of Montedison in November 1990 to steer the family group after the acrimonious departure of Mr Raul Gardini, who had married one of Arturo Ferruzzi's three sisters.

"This step has been agreed with the shareholders for some time," Mr Garofano said yesterday.

He underlined it was an opportune moment to step aside following the group's outline agreement on a big plastics joint venture with Shell in September.

Mr Garofano has had the difficult task of rationalising the aggressive expansion of Ferruzzi-Montedison under Mr Gardini's leadership. This year's first-half results for Montedison saw the group move into a loss of L188bn ($136m), against net profits of L108bn in the same period in 1991.

Mr Garofano will be retained in a consultant's role with Ferruzzi and will remain on the Montedison board and as vice-president of Ferfin. Aged 49, Mr Garofano is now likely to be free to play a significant role in the Italian government's forthcoming programme of privatisation.

Northern Foods ahead by 24% midway

By Guy de Jonquières, Consumer Industries Editor

NORTHERN Foods, the UK foods group, increased pre-tax profits by 24 per cent to £68.4m ($103m) in the six months to September 30, helped by contributions from the Express Dairy and Eden Vale chilled food operations acquired a year ago.

Mr Christopher Haskins, chairman, said the result was achieved despite worse-than-expected trading conditions, which he believed would persist at least until next spring.

He warned that devaluation of the green pound, used in EC farm trade, combined with inflation, would add between 6 per cent and 8 per cent to food prices next year. But continued recession would make it hard for manufacturers to pass on the full increase to retailers and consumers.

Nonetheless, he said Northern Foods' margins would improve next year as it benefited from rationalisation of its dairy and meat businesses.

The company aimed to cut costs by between £40m and £50m and shed 3,000 jobs by June.

The pre-tax result, up from £55.2m a year ago, was achieved on sales of £969.9m, up from £655.6m.

Operating profits were 41 per cent higher at £81.2m, an increase from £57.7m, but the operating margin slipped to 8.4 per cent from 8.8 per cent.

Earnings per share rose 3 per cent to 8.92p from 8.66p, reflecting the £227m rights issue to fund the £359m purchase of Express and Eden Vale.

Excluding these and lesser acquisitions, sales rose by 7 per cent and operating profits by 8 per cent.

Express and Eden Vale were being integrated on schedule.

Their head offices and two dairies were being closed, a £9m bottling plant was being built, and London milk rounds were being turned into franchises.

Operating profits and sales improved in dairy, convenience foods and grocery, helped by strong growth in recipe dishes, new grocery products and higher milk prices.

But growth in bread and sandwiches was below expectations.

Operating profit on meat fell 7 per cent and sales stagnated, due to higher pork prices, poor trading by small retailers and the weakness of the catering business. The division's plants were being reduced from 11 to five.

Northern Foods made capital investments of £45m in the first half, chiefly in its dairy, meat and convenience foods businesses.

Acquisitions increased debt to £255.9m (from £109.7m) and finance charges to £12.8m (from £2.5m.)

There was a £44m cash outflow in the first half, but positive cash flow was expected after next month.

The interim dividend rises 5 per cent to 3.4p.

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Gerald Ratner may buy back jewellery retailer

By Maggie Urry in London

MR GERALD Ratner is already planning his comeback and could approach Ratners Group, the jewellery retailer from which he resigned on Wednesday, to buy back the Ratners chain, close associates said yesterday.

Mr Ratner was not able to comment.

The man who was never at a loss for words has finally been gagged. A confidentiality agreement signed with his former employers means he cannot speak publicly without risking losing his £375,000 ($570,000) pay-off.

His cousin Mr Victor Ratner, who left the group in February, has opened a store and some think Mr Gerald Ratner could join forces with him.

His agreement with Ratners allows him to open four competing shops over the next year. Ratners shares briefly rose yesterday but fell back to close down 1p at 17p.

Mr John Richards, retail analyst at County NatWest WoodMac, said: "There is a certain durability to what he did. Retail history will be a lot kinder to him than the tabloids." However, Mr Richards felt Ratners would survive without its one-time chairman and chief executive.

Views about his departure were mixed. One rival jewellery retailer said he was sorry for Mr Ratner personally but glad that he had left Ratners.

"Gerald Ratner's going will be a great help to us," he said. "Their Christmas offer has been lacklustre, it just wasn't Gerald. They should be taking us on out there and they just are not."

Mr Ratner's friends say he could not agree with the strategy the group's new board was implementing, which is aimed at improving margins rather than going for volume with price cuts. "He is a man of refreshing honesty, and he could not sit there following a strategy he does not intrinsically believe in," one said.

One stockbroker said: "The strategy is really up to the bankers, not the board. Only profitable companies have the luxury of choosing their own strategies."

Forecasts for the group's current year, to end-January, are for a loss of about £15m although analysts said the figure depended heavily on Christmas trading.

They pointed out that the US business was faring better now and that interest and exchange rates were moving in Ratners' favour.

Mr Richards said: "A small profit is not impossible."

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INTERNATIONAL COMPANIES AND FINANCE

IBM promotions may offer clues to Akers succession

By Louise Kehoe in San Francisco

John Akers: is expected to retire in December 1994

INTERNATIONAL Business Machines has identified its next generation of top executives with the election of five new senior vice-presidents, from among whose ranks the successor to Mr John Akers, chairman and chief executive, is expected to be chosen.

Mr Akers will reach 60, the traditional retirement age for IBM executives, in December 1994. Speculation about his successor has been rife for the past year, but the new appointments appear to narrow the field to a handful of the company's top managers, all of whom are in their late 40s.

The five are: Ms Ellen Hancock, 49, general manager of the networking systems division, and the first woman to be elevated to the level of senior vice-president at IBM; Mr James Cannavino, 48, general manager of the personal systems division, which includes personal computers and workstations; Mr Robert LaBant, 47, general manager of US operations; Mr Ned Lautenbach, 48, president of IBM Asia Pacific; and Mr Bernard Puckett, 48, IBM general manager of the applications solutions division.

Notably absent from the line-up is Mr Nick Donofrio, general manager of the enterprise systems division, which develops and manufactures mainframe computers, IBM's traditional flagship products.

Within IBM, the bets are on Mr Robert LaBant, who was assistant to Mr Akers from 1983 to 1987. In 1990, he became general manager of application business systems, overseeing one of IBM's most successful lines, the AS/400 mid-range computer products.

Also named by insiders as a likely successor to Mr Akers is Mr Bernard Puckett, a former head of IBM's corporate strategy and planning, who took up his current position last year. Mr Puckett is said to be playing a key role in IBM's efforts to establish closer links with its customers.

Overcapacity is catalyst behind PVC merger

Paul Abrahams and Christopher Parkes on Hoechst's and Wacker-Chemie's venture

LAST week's announcement by Hoechst, the German chemicals giant, that it was to merge its PVC business with Wacker-Chemie is likely to be the first in a series of rationalisations within this troubled DM6bn ($3.7bn) industry.

The outlook for European PVC producers is bleak. None is making money due to massive overcapacity.

Last year, European demand for PVC, a plastic widely used in the construction industry and in packaging, fell about 4 per cent to 5.3m tonnes, according to Mr Erich Schnitzler, executive vice-president of PVC at Hoechst.

But that result was achieved when French and German markets were still buoyant. German demand had been rising fast at about 5 per cent, while in France and Italy it had been about 4 per cent. The German economy, Europe's largest, is now slowing, as demonstrated by the poor third-quarter results posted by the German chemicals groups.

European PVC producers
Estimated capacity

	Tonnes (m)
EVC	1,175
Solvay	940
Atochem	705
LVM	390
Wacker-Chemie	365
Norsk Hydro	340
Huls	300
VEB Schopau	300
Hoechst	250
BASF	250
Rovin	215
Shell	205
Alscondel	130

Hoechst said there had been no sign of improvement in the market in the short or medium terms. "This makes it necessary to use all possibilities for reducing costs, especially through rationalisation," the company added.

The collapse in PVC demand has been aggravated by rising levels of imports which, according to chemical industry consultants Tecnon, used to represent 4 per cent of the west European market but have now reached about 12 per cent. Imports were about 515,000 tonnes in 1990 and could be as high as 700,000 tonnes this year. Nearly half of PVC imports are from eastern European suppliers. Western European exports are also falling.

Not surprisingly, prices have been under pressure. In Germany, Europe's largest market, the price of pipe-grade PVC slumped last year from about DM1.75 a kilogramme to DM1.

Attempts to increase prices by about 30 per cent this year not only failed but led to a cartel investigation by the European Commission.

Even that increase, if successful, would not have led to profitability for most manufacturers. The industry reckons it needs prices of about DM1.45 to break even.

Mr Mike Stanley at Tecnon estimates prices have now fallen to between DM1.03 and DM1.07, from an average of DM1.17 during the second quarter. Some suppliers are selling below DM1. The position of German producers has been aggravated by the recent appreciation of the D-Mark.

In this context, rationalisation and plant closures have become imperative. Hoechst has made the first move. A candidate for disposal is Imperial Chemical Industries' 50 per cent stake in EVC, its PVC joint venture with Enichem of Italy, which is Europe's largest manufacturer. Those clearly committed to the sector include Solvay of Belgium and Atochem of France.

Hoechst says the merger of the PVC business with that of Wacker-Chemie will allow it to gain critical mass and save costs. The new 50-50 joint venture company will take over all the PVC activities of both groups, excluding only Hoechst's PVC film business.

Wacker-Chemie has annual PVC capacity of 365,000 tonnes a year, compared with Hoechst's 250,000 tonnes. The groups have four PVC plants between them, which in 1991 turned over DM880m and employ 1,400 people. Hoechst, which plans "three-figure" job cuts next year, gave no indications of how many might go as a result of the merger.

According to Mr Wolfgang Hilger, Hoechst chairman, the new company would have a 10 per cent share of west European output and could generate synergistic savings of DM50m a year.

Such savings look to be increasingly necessary. Hoechst estimates European demand will grow at only 0.5 per cent a year over the next five years. Clearly, price rises and further rationalisation will be necessary if the market is to move back into the black.

Profits slip to R581m at Anglo American

By Philip Gawith in Johannesburg

ANGLO American, South Africa's largest company, is maintaining its interim dividend at 90 cents per share despite an 11 per cent fall in attributable profits to R581m ($193m)for the six months to the end of September.

Mr Julian Ogilvie Thompson, chairman, predicted earnings would fall more in the second half owing to a "downturn in world economies together with unsettled local political and economic conditions".

Anglo's investment earnings rose marginally to R641m from R630m, due mainly to higher dividend income from gold mining interests, which contributed 27 per cent of investment income. The higher dividends reflected increased gold production and well-contained costs. Anglo is the world's largest gold producer.

Dividends from platinum interests – in Rustenburg Platinum, the world's largest producer – fell on the weaker rhodium price.

Trading profits fell by 8 per cent to R229m, due mainly to a decline at Anglo American Coal.

Earnings per share fell to 251 cents from 282 cents.

With the retained earnings of associated companies falling to R523m from R611m – reflecting recessionary conditions in the diamond, platinum, industrial and base metal industries – the group's equity-accounted earnings fell by 13 per cent to R1.1bn.

Mr Ogilvie Thompson noted that, over the reporting period, Anglo's associate, De Beers, had opened the R1.1bn Venetia diamond mine; shaft-sinking had started at the R1.7bn Moab gold mining project; the R1bn Namakwa Sands heavy minerals project got the go-ahead; and the Anglo group announced plans to participate in the Collahuasi copper venture in Chile.

Central Capital's creditors approve restructuring plan

By Robert Gibbens in Montreal

CREDITORS of Central Capital, once a fast-growing financial services group with assets of C$17bn (US$13.2bn), have approved a final restructuring plan to avoid bankruptcy. Most company operations have been taken over by the secured creditors, led by the Royal Bank of Canada, to satisfy C$1.1bn in borrowings.

In effect, the founders and controlling shareholders, Mr Reuben Cohen and Mr Leonard Ellen, are left with 10 per cent of the company. Unsecured creditors get 90 per cent of the equity, plus C$21m in new debt securities. Court approval is being sought next month.

Royal Bank of Canada buys travel insurers

By Bernard Simon in Toronto

ROYAL Bank of Canada (RBC) has become the first Canadian bank to acquire an insurance company with its purchase of Voyageur Insurance, Canada's largest underwriter of travel insurance for retail travel agents.

The seller is Crawley Warren Group, the UK insurance brokers specialising in accident, health and aerospace business.

Terms of the deal were not disclosed. Voyageur writes about C$100m (US$78m) of premiums a year, and has 180 staff in six offices.

Financial service reforms implemented last June allowed Canadian banks for the first time to acquire insurance companies, but put strict limits on links between banks and their insurance subsidiaries, mainly to protect brokers. For instance, the banks were barred from using their extensive branch networks or their employees from selling insurance policies.

However, Mr John Hudson, Voyageur's president, said that the link would benefit both his company and the bank. Voyageur may expand into the US, where RBC already has a presence and where the market for travel insurance is less developed than the UK or Canada.

● Petro-Canada, the national oil company partially privatised two years ago, has raised C$250m with a 30.4m-share issue placed with a syndicate of underwriters led by RBC Dominion Securities at C$8.25 a share. Proceeds will reduce long-term debt to C$1bn and bolster working capital. The underwriters were given the option of a further 3.1m shares. The federal government's holding will fall to 70 per cent from 80.5 per cent.

National Bank hit by O&Y loan write-downs

By Robert Gibbens

THE recession and a heavy write-down of loans to the Olympia & York group reduced final-quarter profits at National Bank of Canada.

Net income in the quarter was C$39m (US$30.4m), or 23 cents a share, against C$41m, or 26 cents a share, a year earlier. Return on equity was 9 per cent, against 9.4 per cent, and return on average assets 0.38 per cent against 0.45 per cent.

For the year ended October 1992, net income was C$1m, equal to a loss of 29 cents a share after payment of preferred dividends. This compares with net income of C$186m, or C$1.20 a share, in 1990-91. The drop was due to $570m in loan losses, including a C$350m write-down in loans to O&Y taken in the third quarter.

VASP chief is given 90 days to solve problems

By Bill Hinchberger in São Paulo and Stephen Fidler in London

THE HEAD of the struggling Brazilian airline VASP, privatised in 1990, has agreed to step down if he is unable to resolve the company's severe financial problems within 90 days.

Mr Wagner Canhedo, majority shareholder and president of VASP, agreed to the move at a meeting with federal and state officials, stockholder representatives and union leaders.

Mr Canhedo bought 60 per cent of the airline from São Paulo state in the privatisation. The state remains the largest minority shareholder, followed by an employee fund. State and federal officials are opposed to public intervention to rescue the airline, Brazil's second-largest carrier.

VASP's most important suppliers of leased aircraft have repossessed their airliners. Negotiations continue over 13 grounded aircraft owned by Guiness Peat Aviation (GPA) of Ireland – itself facing a debt rescheduling – and nine owned by Ansett Worldwide Leasing, a US-based subsidiary of the Australian company.

The accord with Mr Canhedo must be agreed by Mr Luis Antonio Fleury, governor of São Paulo state. Mr Fleury, who is on a visit to Europe, told the FT in London yesterday that he would not accept the proposal before hearing the results of an auditor's report into the airline's finances. He insisted that VASP would not be returned to state ownership.

VASP has maintained international flights but has been forced to juggle domestic schedules. The airline's total debt is about $800m, up from $700m when Mr Canhedo took over. Last year it lost $214m.

ConsPress takes 8.27% stake in Westpac Banking

By Kevin Brown in Sydney

Kerry Packer: welcomed by the AMP Society

CONSOLIDATED Press Holdings (ConsPress), Mr Kerry Packer's privately-owned publishing group, yesterday *emerged as the buyer of* an 8.27 per cent stake in Westpac Banking Corporation, the troubled Australian bank.

The shareholding, worth A$434m (*US$299.3m*) *at last* night's closing price of A$2.99, is close to the 10 per cent ceiling placed on individual shareholdings by Westpac's deed of settlement and federal banking law. ConsPress could move to 15 per cent ownership of Westpac, but only with the approval of both the board and Mr John Dawkins, *the treasurer* (finance minister).

Mr Packer, who is travelling abroad, was not available for comment. Mr Al Dunlap, managing *director of ConsPress*, said Westpac was "a very good company, with great potential". Mr John Uhrig, Westpac chairman, said the bank was very pleased to have Mr Packer as a shareholder. He said the ConsPress holding would add stability to the share register.

Mr Packer was also welcomed by the AMP Society, Australia's biggest financial institution, which owns 15 per cent of Westpac. Mr Ian Salmon, managing director, said Westpac was "a strong company with an excellent future, and it is pleasing that Mr Packer shares that view".

ConsPress said it had acquired the rights to 145.16m Westpac shares since it began buying in mid-October. The stake comprises 4.61 per cent of Westpac's ordinary shares and 3.66 per cent in the form of *options*.

Buying by ConsPress pushed Westpac shares briefly above A$3 yesterday, for the first time in two months. The shares fell back in later trading to close 1 cent higher on the day.

ConsPress has been rumoured to be acquiring Westpac shares since the failure in October of the bank's A$1.72bn rights issue. The issue closed 72 per cent undersubscribed, leaving many sub-underwriters holding unwanted shares.

Analysts said Mr Packer's investment was likely to provide a significant lift for the shares, which fell to a low of about A$2.65 last week after the group announced a record net loss of A$1.5bn for the year to September. The shares were trading at about A$4.50 at the start of the year.

ConsPress gave no indication of its motives in buying Westpac shares. Analysts said Mr Packer would probably seek a seat on the board, but would be prevented from seeking control by the law and the bank's deed of settlement.

Mr Packer may be counting on a takeover bid for Westpac by one of the other three Australian banks, National Australia Bank (NAB), Australia and *New Zealand banking Group* (ANZ) and Commonwealth Bank.

The banks are excluded from the legal restriction on bank shareholdings, but are prevented from bidding for each other by a separate government policy which bans mergers between the six largest financial institutions.

National Mutual unit issue totals HK$1.08bn

By Simon Davies in Hong Kong

NATIONAL Mutual, the Australian insurance and investment group, is to receive HK$765m (US$98.6m) in direct proceeds from the flotation of its Hong Kong subsidiary.

The HK$1.08bn flotation of National Mutual Asia (NMA) will be the largest new issue in Hong Kong since Mr Rupert Murdoch raised HK$2.26bn from the public offer and placement of 49 per cent of News Corporation's South *China Morning* Post newspaper group in June 1990.

NMA has placed out existing shares representing 10.4 per cent of the company to institutional investors. A further 15.6 per cent of the enlarged company is being offered to the public, the majority in old shares. National Mutual will retain 74 per cent control.

NMA was set up in Hong Kong in 1986 and has grown to be one of the two leading life assurance companies in the colony, along with American International Assurance. It has a 35 per cent market share.

The company will receive HK$297m from the share issue, to enable it to expand its business both in Hong Kong and the south-east Asian region.

However, the flotation has been more beneficial to its parent. NMA paid out its first dividend, of HK$154.4m, for the year to September 1992. This was in addition to the substantial proceeds from the sale of *its existing shares*.

The pre-placement of NMA shares was well received by international institutions, and analysts expect the flotation to be fully *subscribed*.

NMA recorded 169 per cent profits growth in the year to September 1991 and a further 27 per cent increase to HK$355.6m in 1992. The prospectus forecast is for HK$410m profit in 1993, putting the share offer on a prospective price-earnings ratio of 9.95.

Japan's commercial banks smile in adversity

By Robert Thomson in Tokyo

JAPAN'S leading commercial banks, although announcing an embarrassing fall in profits and a leap in loan loss reserves yesterday, could take some comfort that their balance sheets were generally less unsightly than those of the country's seven trust banks.

The banks' miserable results for the first half to September reflected the new-found determination of the banking industry and the Japanese government to clean away the debris from the stock and property market collapse.

As a result, the 11 commercial banks yesterday confessed to large securities appraisal losses and a non-performing loan problem that required, on average, a 42 per cent increase in loan loss reserves.

However, the seven trust banks deferred booking securities losses until the year-end in *March. On present reckoning*, appraisal losses would have pushed five into the red, with only Mitsubishi Trust and Banking and Sumitomo Trust and Banking strong enough to *take the hit* and make a profit.

The banks were fortunate that a decline in interest rates during the period allowed them to book sharply higher business profits, creating a cushion for the new provisions and saving them the embarrassment of reporting a loss.

At Mitsubishi Bank, for example, interest received on its loans fell by 24.9 per cent, while interest payments on deposits were down 35.1 per cent. The difference contributed to a 32.8 per cent increase to Y277.6bn ($2.2bn) in net interest income, the primary component of core earnings.

The banks realise that they cannot expect another 1 per cent to 2 per cent fall in rates in the next half, and concede that their balance sheets will be under more pressure.

"In the current environment, the stress that Mitsubishi Bank has traditionally placed on credit review and asset quality *control has taken on renewed* significance. Additional measures included upgrading systems and procedures for risk rating and exposure control," the bank said.

JAPANESE BANKS Half-year results to September 30				
Bank	Net profits (Ybn)	% change on year earlier	BIS ratio 30/9/92	BIS ratio 30/9/91
Sanwa	40.2	-34.0	8.61	8.10
Sumitomo	37.6	-40.7	8.82	8.43
Mitsubishi	32.8	-37.8	8.73	8.20
Sakura	28.0	-40.8	9.37	7.92
Fuji	26.0	-56.6	8.71	8.04
DKB	29.0	-42.4	8.53	8.25
Tokyo	23.5	-18.0	8.30	8.12
Tokai	13.4	-48.0	8.70	3.38
Asahi	11.4	-49.6	8.60	8.30
Daiwa	10.0	-53.6	9.92	8.27
Hokk.Taku.	6.1	-35.2	8.92	8.26
Total	258.5	-41.0	–	–

Japanese industrial companies take the stress on asset quality control by Mitsubishi and other banks as a warning that it will be more difficult for them to get loans over the next year. The finance director of a leading Japanese steelmaker said yesterday his company had no trouble in borrowing from banks, but that any industrial company with a record of speculation in stocks or property faces great difficulty in getting funds.

While the banks are cautious in new lending and withdrawing from some international projects, most said that their gross profits on international business increased during the period. Fuji Bank said these profits rose 2.5 per cent, and Sanwa Bank reported a 37 per cent increase.

Sanwa has taken the title of Japan's most profitable bank from Sumitomo Bank, as the former recorded a business profit of Y198.6bn and a net profit of Y40.2bn, while Sumitomo had profits of Y175.9bn and Y37.8bn respectively.

Even Sanwa is struggling to reduce costs. The bank reported general and administrative expenses of Y165.4bn, up from Y156bn in the first half last year, suggesting that deeper cuts in personnel may be needed in coming months.

Sanwa has cut its graduate intake, but it and other leading banks may be forced to cut the *workforce* over the next year and review operations.

Pressure for cuts is particularly extreme at the trust banks, which have a far thinner cushion of profits even though the restructuring of the banking system is only just beginning. Mitsui Trust and Banking reported a net profit of Y9.5bn, down 34.1 per cent, without taking a stock appraisal loss, while Nippon Trust Bank had a net profit of Y1.1bn, down 47.3 per cent.

The seven trust banks were more modest in increasing their loan loss reserves, which rose by a total of 26.5 per cent to Y35.8bn. Like the commercial banks, the trust banks all managed to save face by keeping their capital adequacy ratios well above the 8 per cent level required by next March.

BIL boardroom coup architect is ousted

By Terry Hall in Wellington

MR BRUCE Hancox, a principal architect of the coup two years ago that ousted Sir Ron Brierley as chairman of New Zealand's biggest investment company, Brierley Investment (BIL), was himself replaced yesterday.

The new chairman is Mr Bob Matthew, another Brierley director and *chairman of Air* New Zealand, who is to relinquish executive tasks within the BIL group.

The changeover, announced *at the group's* annual meeting yesterday, sparked speculation that Mr Hancox was replaced because of market perceptions that he was too outspoken on political and other issues and was spending too much time on his private business – a charge he denied.

Mr Hancox also said there had been "no coup" against him because he had never wanted to be chairman.

Mr Matthew is a prominent and highly successful businessman. At Air New Zealand, he oversaw the restructuring of the airline, now one of the world's most profitable companies in its sector.

He said yesterday he intended to *take an equally* active role as chairman of BIL.

Other changes in the board included the appointment of Mr Robert Peel, chief executive of Mount Charlotte, BIL's biggest investment.

Mr Andrew Meehan has also been appointed an executive director. He is one of the country's best known bankers and was previously chief executive of Southpac, the New Zealand merchant bank subsidiary of Lloyds Bank of the UK.

Posco links with Myanmar metal group

By John Burton in Seoul

POHANG Iron and Steel (Posco), South Korea's leading steelmaker, and Myanmar Metal Industries have agreed a joint venture to be set up in March *following* a feasibility study.

The venture's plant in Myanmar will produce basic metal products, including nails, bars and *corrugated galvanised* sheets. Posco will supply wire rods and cold-rolled sheets to the plant as raw materials.

Myanmar is the third Asian country in which Posco has set up or expanded production facilities this year, following larger ventures in China and Vietnam. Posco wants to develop south-east Asia and China into its main export markets. South Korean trade with Myanmar amounted to $27.7m during the first nine months of 1992.

Matra in asset swop with Fiat subsidiary

By William Dawkins in Paris

MATRA, the French telecommunications-to-transport group, yesterday agreed to exchange assets with the French subsidiary of Fiat, the *Italian carmaker, as part of a* strategy of focusing on its mainstream businesses.

Matra is to hand to Fiat France its 35 per cent stake in *Ufima, a maker of automotive* components which is already 65 per cent owned by Magnetti Marelli, Fiat's components offshoot.

Magnetti Marelli has nine plants in France employing 5,000 people, generating FFr3.5bn sales ($640m), equivalent to 22 per cent of its total turnover.

In exchange, Fiat France is to hand to Matra its 13.72 per cent stake in Labinal, a French producer of gas turbines, aerospace components and electrical connectors. On top of this, Fiat France is to pay Matra FFr40m, to make up for the difference in value between the two share stakes.

Matra has been reorganising its business portfolio recently, *with the sale of a large minority* stake in its telecommunications business last July to Northern Telecom of Canada.

Matra said yesterday that the disposal of its Ufima stake was in line with its decision to get out of automotive electronics, no longer seen as of strategic interest to the group.

● Compagnie Generale Maritime (CGM), the French state-owned freight transport group, said its holding company, CGMF, would sell the 65.25 per cent stake it has in Financiere de l'Atlantique to Compagnie d'Investissements et de Participations (CIP), a holding company, Reuter reports from Paris.

INTERNATIONAL CAPITAL MARKETS

UK bank's Tier 2 capital issue meets strong demand

By Brian Bollen

NATIONAL Westminster Bank enjoyed a big success yesterday with the first issue of Tier 2 capital by a UK bank which is convertible into Tier 1 or "core", capital at the bank's option.

The bank issued 11½ per cent undated subordinated notes, convertible into non-cumulative preference shares at any time. Following strong demand, the amount was quickly increased to £200m from the original £150m.

NatWest Capital Markets and Salomon Brothers International jointly arranged the issue. Salomon said it was the largest issue of undated fixed-rate sterling securities in the UK by a bank.

INTERNATIONAL BONDS

The structure will give NatWest undated bonds in Eurobond form, paying interest gross. All previous issues of bank preference shares or building society permanent interesting bearing shares have been structured as domestic placings, paying dividends net of advance corporation tax or interest net of withholding tax.

Advantages to the bank of this structure are that while upper Tier 2 capital is acceptable to meet the capital adequacy requirements of the Bank for International Settlements, it is difficult to raise. Previously it was met by issuing perpetual floating-rate notes, a market which collapsed in 1987.

"This instrument gives us great flexibility in terms of tax and capital planning," said Mr Richard Goeltz, NatWest's group chief financial officer, who believes that capital should be raised strategically, when it is available, rather than when it is needed.

"There is a tactical aspect too; at some point we will look back on this period as being a very attractive time to have raised long-term fixed-rate funding."

Other advantages to the bank are that interest payments are deductible for tax purposes; only if the issue is converted into tier I capital will the sums paid count as dividends to be paid from net income. Further, the bank does not have to pay a premium on conversion. In the meantime, investors get the same yield as if they had bought preference shares.

While they are notes, if the bank misses an interest payment the interest missed is cumulative. Preference shares have to be non-cumulative to qualify as Tier I capital. In the event of liquidation, the notes will rank alongside other preference shares. If they are converted into preference shares they will pay interest at 8.392 per cent a year.

NatWest said the issue was well taken up with the core going to UK investors. Although the launch spread of 235 basis points over comparable gilts gives a handsome yield, it represents a total cost of 90 to 100 basis points less than NatWest's last preference share issue, says Mr Goeltz. That offered a launch spread of 250 over and is currently trading at around 185.

Elsewhere, sterling continued to be the most popular currency for borrowing in the international bonds market yesterday. This owed less, however, to overwhelming demand from investors than to the unhappy state of other markets, said traders.

Three sterling deals tapped slightly different areas of demand, limiting any adverse effect they might have had on each other. The consensus was that all the issues were priced to sell quickly, particularly to UK investors.

Kyushu Electric Power's £150m five-year issue was said to have gone extremely well. Lead-manager S.G. Warburg said it was trying to establish the issue firmly as a liquid Eurobond issue, and had sold most of the paper to UK investors. This is in contrast with past experience which has seen the bulk of such issues placed in Japan, hitting their liquidity.

The new-look Lasmo, making its first appearance on the international capital markets since its acquisition of Ultramar last year, issued £100m of bonds maturing in mid-1999, to refinance existing debt. One trader said it was priced to get the support of the investment community in the UK.

Another said it was priced to appeal to people greedy for yield. One trader noted that a triple-B rating from Moody's is somewhat lower than one would normally expect to see in the Eurosterling markets. The bonds were priced to yield 155 basis points over the comparable gilts.

Baring Brothers said it continued to make sales of the World Bank's £200m six-year bonds at or inside the launch spread of 20 basis points.

● The Colombian government is likely to lead Colombia's entry into international bond markets next year, raising $100m to $150m to open the way for other state-owned and private companies, Reuter reports from Bogota.

Mr Juan Fernando Ocampo, sub-director of public credit planning at the Finance Ministry, said the government was working on a sovereign bond issue for next year. "What will very probably happen is that the Republic will open the way and set the benchmark so that afterwards other public and private entities can follow," he said.

Carbocol, the state-owned coal mining company, is in preliminary discussions about the possibility of placing a $650m bond next year to refinance existing commercial debt.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
National Westminster Bk(a)§	200	11½	100.851	(a)	¾	Nat.West.Cap.Mkts.
LASMO	100	9½	98.78	1999	⅜/0.20	UBS P&D Secs.
Kyushu Electric Power	150	8	99.80	1997	0.275/⅛	S.G Warburg Secs.
D-MARKS						
Kansai Electronics Power Co.	500	7¼	101⅞	1997	2/1¼	Dresdner Bank
GUILDERS						
Fortis Finance NV	350	7⅝	102.40	2002	1/⅝	ABN Amro NV
YEN						
Kubota Corp(b)†	15bn	(b)	100	1997	0.3/0.2	Daiwa Europe

Final terms and non-callable unless stated. §Convertible. ‡Floating rate note. a) Coupon payable semi-annually. Issue undated. b) Coupon pays 3 month Libor plus 35bp.

NatWest to open capital markets side in Frankfurt

By Richard Waters

NATIONAL Westminster Bank, the UK clearer, plans to open a capital markets operation in Frankfurt in the first half of next year in the latest move to expand away from its sterling-dominated base.

For NatWest, the move represents a renewed attempt to build a broad-based business in the debt markets, after a decision only three years ago to focus almost exclusively on sterling.

"In the long term, we would have to aim at being an issuing house in D-Marks," said Mr Gary Southern, head of capital markets.

"But we would want to avoid the standard mistake of rushing in when everyone else is rushing in as well."

The weakness of UK banks in the D-Mark was emphasised last month when the UK government chose Deutsche Bank to lead a DM5bn Eurobond issue.

British banks similarly played only a minor role when the UK raised Ecus in 1990.

The initial purpose of the German operation will be to strengthen contacts with German customers and find ways to arbitrage between the domestic German and international markets, said Mr Southern. The bank is currently seeking approval from the German authorities for its plans.

The derailing of the Ecu bond market in recent weeks has forced many banks to review their strategies in the European capital markets, forcing them to put more resources into their coverage of domestic markets, Mr Southern said.

"We've upgraded our thinking on markets in Europe," he said. "My sense is that a number of houses feel they have to commit more to domestic markets."

NatWest plans to limit its investment in overseas domestic markets, though, in an attempt to avoid the mistake of overexpansion it and other banks made in the 1980s.

The bank recently announced the acquisition of the Milan branch of Continental Bank, bringing it a capital markets presence in Italy, but has no plans to expand into France.

"The French banks do a remarkably good job as trading houses in their own centre. They don't leave a lot of room for foreign banks coming in," said Mr Southern.

Sharp rise in short-term interest rates weakens Irish gilts

By Tracy Corrigan

PRICES in the Irish gilts market slipped yesterday due to a sharp rise in short-term interest rates and uncertainty over the formation of the next government following Wednesday's election.

Following the suspension of its key interest rate, the short-term facility, earlier this week, the central bank yesterday announced its short-term borrowings would rise to 30 per cent today and to 100 per cent on Monday in a move designed to curb speculation over a devaluation of the currency.

GOVERNMENT BONDS

Meanwhile, the market could be further affected if wranglings over the formation of the next government, following this week's election, prove protracted. Whatever the outcome, there is expected to be little effect on supply in the gilts market, since all parties are committed to staying within Maastricht guidelines on policy.

There was speculation yesterday that if, as seems likely, the Labour party helps form a new coalition government, the chances of a speedy devaluation could be increased. In any case, many analysts believe that the current situation is becoming untenable.

■ THE German bond market lost early gains on news of another bad regional consumer price index figure. The CPI in Bavaria showed at 0.6 per cent rise for November. Analysts said that meant that German inflation was likely to remain at 3.7 per cent at the end of this year, but was bound to rise above 4 per cent, when value-added tax increases started to come through.

The Bundesbank's failure to lower rates yesterday held no surprises. "The only thing that could make the Bundesbank move now is a desire to save the exchange-rate mechanism," said one analyst.

The bund future ended unchanged, but the Euro-D-Mark contract fell 10 ticks as any hopes of a rate cut fell further.

■ IN London, the gilts market ended slightly lower ahead of next week's £2.5bn auction of new 10-year 8 per cent stock. The new stock is free oftax for residents abroad. Although the market has cheapened ahead of the auction, it is "fairly well underpinned," according to Mr Phillip Tyson, bond analyst at UBS Phillips & Drew. "Investors are reluctant to reduce exposure while prospects for short term rates remain good."

■ FRENCH bonds ended unchanged, after a dull day's trading. The pressure on the currency appears to have faded, and the Thanksgiving Day holiday in the US further reduced activity in the French and other markets.

FT FIXED INTEREST INDICES

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	Year ago	High*	Low*
Govt Secs(UK)	93.75	93.96	94.06	93.83	93.96	86.84	95.54	86.11
Fixed Interest	108.68	108.89	108.98	108.80	108.92	95.86	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75).

GILT EDGED ACTIVITY

Indices*	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19
Gilt Edged Bargains	156.6	185.0	141.6	150.9	168.5
5-Day average	160.3	163.6	163.7	172.5	163.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.8670	-0.002	8.79	8.91	8.86
BELGIUM		8.750	08/02	104.2800	-0.080	8.04	8.05	8.14
CANADA *		8.500	04/02	103.3000	-0.150	7.99	8.05	7.86
DENMARK		9.000	11/00	100.1000	-0.025	8.98	8.95	8.78
FRANCE	BTAN	8.500	03/97	101.2046	+0.141	8.13	8.02	8.19
	OAT	8.500	11/02	101.8800	+0.049	8.22	8.08	8.27
GERMANY		8.000	07/02	104.3000	-0.180	7.36	7.39	7.35
ITALY		12.000	05/02	94.3850	+0.055	13.49†	13.38	13.08
JAPAN	No 119	4.800	06/99	101.5465	-0.052	4.49	4.51	4.70
	No 145	5.500	03/02	105.7626	-0.105	4.61	4.63	4.75
NETHERLANDS		8.250	08/02	105.3000	-0.100	7.45	7.51	7.56
SPAIN		10.300	06/02	87.4500	-0.025	12.60	12.49	12.40
UK GILTS		10.000	11/96	109-04	-8/32	7.30	7.13	7.10
		9.750	08/02	109-30	-10/32	8.38	8.34	8.19
		9.000	10/08	102-02	-8/32	8.76	8.70	8.75
US TREASURY *		6.375	08/02	98-25	-	6.53	6.78	6.75
		7.625	11/22	101-03	-	7.53	7.54	7.58
ECU (French Govt)		8.500	03/02	98.0050	+0.180	8.82	8.64	8.80

London closing, * New York market closed. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

US Prudential prunes its Tokyo equity operation

By Emiko Terazono in Tokyo

PRUDENTIAL Securities Japan, Tokyo arm of the US securities house, has realigned its Japanese equity operations as a result of the Tokyo stock market's weakness.

Japanese equities will no longer be a strategic core of operations, Prudential said. It has reduced the number of staff by 40 to 100.

Mr James Walsh, regional director of the Asia Pacific region, said the weakness of the Tokyo stock market represented a fundamental change of investment flows in Japan, and the financial services industry needed to undergo a long-term change.

Trading volumes remained low and commissions at Japanese and foreign brokers alike had fallen steeply. Foreign houses were finding it increasingly difficult to justify the high costs of Tokyo operations, Prudential said.

Prudential said it would continue to provide institutional clients with a Japanese equity service, while focusing on US equities and international bonds sales. It will retain its membership of the Tokyo Stock Exchange as the only non-Japanese member of the exchange's board.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 26

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	66	13
Other Fixed Interest	0	12	3
Commercial, Industrial	299	205	917
Financial & Property	173	70	560
Oil & Gas	15	11	58
Plantations	0	0	9
Mines	31	9	104
Others	43	28	46
Totals	561	401	1,710

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov. 23
● Last Dealings Dec. 4
● Last Declarations Feb. 25
● For settlement March 8

3-month call rate indications are shown in Saturday editions.

Calls in Arcon Res. Intl., ASDA, Betterware, British Airways, Burton, Euro Disney, Ferranti Intl., Flextech, Haemocell, Pilkington, Queens Moat Houses, Whitegate Leisure. Puts in Amber Day and Ferranti Intl.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

November 26 Total Contracts 25,536
Calls 14,594 Puts 10,942
FT-SE Index Calls 3,897 Puts 3,387
Euro FT-SE Calls 22 Puts 1,885
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thur Nov 26	Day's change %	Wed Nov 25	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.52	-0.09	128.64	2.38	10.99
2	5-15 years (25)	145.51	-0.23	145.84	2.64	11.85
3	Over 15 years (8)	152.11	-0.20	152.43	2.86	10.57
4	Irredeemables (6)	170.31	-0.32	170.85	1.07	13.45
5	All stocks (61)	142.12	-0.18	142.38	2.59	11.64
	Index-Linked					
6	Up to 5 years (2)	184.13	-0.09	184.30	0.60	3.68
7	Over 5 years (10)	166.42	-0.26	166.86	1.21	4.04
8	All stocks (12)	167.60	-0.24	168.00	1.13	3.96
9	Debs & Loans (67)	123.15	-0.35	123.58	2.72	10.48

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 26	Wed Nov 25	Year ago (approx.)
	British Government				
1	Low	5 years	7.14	7.11	8.91
2	Coupons	15 years	8.27	8.24	9.67
3	(0%-7¾%)	20 years	8.53	8.50	9.67
4	Medium	5 years	7.51	7.46	10.01
5	Coupons	15 years	8.74	8.70	9.80
6	(8%-10¾%)	20 years	8.91	8.88	9.75
7	High	5 years	7.74	7.68	10.22
8	Coupons	15 years	9.02	8.99	9.90
9	(11%-)	20 years	9.10	9.07	9.81
10	Irredeemables(Flat Yield)		8.89	8.86	9.86
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.44	2.40	3.05
12	Inflation rate 5%	Over 5 yrs.	3.82	3.80	4.29
13	Inflation rate 10%	Up to 5 yrs.	1.62	1.58	3.24
14	Inflation rate 10%	Over 5 yrs.	3.63	3.61	4.11
15	Debs &	5 years	8.89	8.88	11.58
16	Loans	15 years	9.94	9.88	11.38
17		25 years	10.11	10.06	11.19

Uncertainty behind BPB dividend cut

By Richard Gourlay

BPB Industries, the UK's largest plasterboard manufacturer, yesterday cut its interim dividend in spite of declaring that prices were again rising after a five-year price war.

Mr Alan Turner, chairman, said there was unprecedented uncertainty over the short-term outlook for business prospects and the company could not continue to pay an uncovered dividend.

Interim pre-tax profits in the six months to September 30 rose from £24m to £27.5m on sales up 6 per cent at £544.7m.

Earnings per share fell from 3.9p to 3.7p and the interim dividend is cut from 4p to 2.7p. BPB's shares fell 18p to 172p.

The reduced dividend would re-base the annual payment at a level from which a progressive dividend policy could be resumed, Mr Turner said.

Mr John Maxwell, chief executive, said that after five years of falling plasterboard prices, there was now growing evidence of "sustained pricing recovery" and that increases in France, the UK and Germany were sticking.

BPB's operating profit margins have fallen to about half the levels prevailing before the price war began with Lafarge Coppée of France and Krauf of Germany five years ago.

BPB had answered certain questions from the Office of Fair Trading after the Federation of Master Builders complained about the price rises in the summer. The company was not expecting to hear any more from the OFT.

Gearing in the period rose from 36 per cent to 38 per cent on total borrowings of £264m.

The building materials division, which includes plaster board and plaster, enjoyed a sharp increase in margins with operating profit rising 31 per cent to £37m on sales up 8 per cent at £484.9m.

On the paper and packaging side, despite a volume increase, profits were 41 per cent lower at £6m on sales 4 per cent lower at £79.8m, because of price erosion and lower profit margins.

Mr Turner said that plasterboard remained one of the few building materials for which there was still significant growth potential in Europe and Canada even without economic recovery.

BPB had only benefited from the French price increase during the first half; the other price rises would feed through in the current half.

See Lex

Consortium gets support for ITN bid

By Raymond Snoddy

THE CONSORTIUM led by Mr Michael Green's Carlton Communications yesterday got the support needed to make the offer for Independent Television News unconditional.

The consortium, which also includes Central, London Weekend, Reuters, Granada, Anglia and Scottish, already had the agreement of ITV shareholders holding 74.7 per cent, just below the 75 per cent needed to change the articles of association.

Thames Television, the largest shareholder, had already signed the offer.

Yorkshire and Tyne Tees, which together hold 14.4 per cent of ITN, had not signed before and are still unhappy about part of the news supply agreement with ITN.

Yorkshire said it believed it had the support of the other five ITV companies needed to block the deal.

To do that Yorkshire needs the support of TVS, HTV, TVS, Ulster, Grampian and Border.

Two of the companies are believed to have signed the offer yesterday, taking acceptances above 75 per cent.

Chloride £2.73m in the red

By Matthew Curtin

PROFITS at Chloride, the once famous batteries supplier which has been reduced to a small electronics group, crumbled in the half-year to September, as the group turned a £1.02m pre-tax profit into a £2.73m loss.

Chloride staggered under the weight of restructuring costs and poor demand for its main products: power electronics, uninterruptible power supplies (UPS), and emergency lighting systems. The interim dividend is passed, and retained losses rose to £3.92m (£523,000).

Turnover fell 17 per cent to £45.4m (£54.7m). The group made an operating loss after exceptional costs of £932,000, against a profit of £2.05m.

Reorganisation costs this year totalled £1.1m (£586,000) and there was a loss on discontinued operations amounting to £916,000. The interim dividend is passed.

Mr Keith Hodgkinson, chairman, said the interim period had been "interesting", but management was not despondent.

He predicted "a significant improvement" in results by the year-end. Exceptional costs would not recur, new products – especially Chloride's latest UPS – had been well received, but the group would not return to profit.

Chloride's operating loss of £556,000 before exceptional costs included £876,000 in "stringent provisions" for bad debts and stock obsolescence, which reflected encouraging underlying profitability.

Net borrowings were reduced from £8.68m at the end of March to £3.05m. Losses per share were 1.6p (0.2p).

Newspaper Publishing in profit

By Raymond Snoddy

NEWSPAPER Publishing, owner of The Independent and the Independent on Sunday has turned a £10m loss in 1991 into a pre-tax profit of £28,000 in the year to September.

Sir Ralph Dahrendorf, chairman, said yesterday: "The bottom line is one of satisfactory progress both in commercial terms and in reputation."

The newspaper group's position improved despite the depth of the recession because of a number of factors.

Revenues increased from £79m to £81.8m and there was an operating profit of £358,000 (£6.58m loss). The main factors here were savings in newsprint costs and lower overheads following the integration of the the two titles.

Exceptional costs this year were only £138,000, against £1.9m before which was mainly attributable to redundancy costs.

Because of an £8m refinancing which allowed all bank borrowings to be paid off, interest charges this year fell to £461,000 (£1.88m)

The company now has about £1m in the bank.

Brown & Tawse deeper in loss

By Peter Pearse

EVER DECLINING demand in its markets caused Brown & Tawse Group, the steel and pipes distributor, to fall more sharply into losses in the six months to September 30. It is passing the interim dividend.

Pre-tax losses grew from £181,000 to £2.76m in the period. The interim dividend last time was 2.85p.

Turnover declined to £63.2m (£72.3m). Mr Gil Black, chairman, said that the shrinking demand first seen in the group's markets in 1989, continued unabated.

But Mr Phillip Ashforth, finance director, added that "occasional green shoots" had been seen at Jay Fasteners and there had been signs the southern region was bottoming out, though there were no trends for sustained recovery.

To help cut costs further, Mr Richard Wilson, chief executive since September 21, has engaged Coopers & Lybrand to undertake a detailed operational review. Mr Ashforth said it was likely that the mother company, Brown & Tawse Ltd, would be restructured.

Working capital was under "continuous scrutiny" and capital expenditure, down to £3.4m last year, was a little under £1.5m in the half.

Net borrowings rose from £16.1m at the year-end, when gearing was 35 per cent, to just over £20m at the end of the half, giving gearing of almost 48 per cent. Losses per share emerged at 8.5p (0.5p).

DC Gardner warns of second-half downturn

By Paul Taylor

DC GARDNER Group, the personnel training company, issued a profits warning yesterday, replaced its chief executive, Mr Barry Topple, after less than a year and appointed Sir Kit McMahon, former chairman of Midland Bank, as non-executive chairman.

The group, which has undergone a substantial restructuring in the past 18 months, said the results for the second half of 1992 would be "less than current market expectations," and "well below" the £930,000 pre-tax profit achieved in the six months ending June 30.

"At that stage the revival of business confidence following the General Election was expected to continue but in the event confidence subsided," said a trading statement issued by the board.

Sir Kit McMahon: taking over as non-executive chairman

As foreshadowed at the time of the interim results, the UK market for the group's training and publications division has been "very difficult" in the second half and the division's results have been adversely affected by the continuing recession.

However the group's outplacement division continues to perform well and while profits for the second half will be less than those for the first, the board expects another record result for the year, helped by overseas expansion.

The company said the performance of its residential conference centres, "has been satisfactory and the division should finish the year strongly with its best ever quarterly results."

The latest boardroom changes follow a string of other appointments and departures culminating in the resignation last month of Lord Walker of Worcester, the former Welsh Secretary.

Sir Kit succeeds Mr Stephen Johnson, as chairman. Mr Johnson, a former chairman of Coutts Consultants, the group's outplacement subsidiary, is taking over as chief executive.

See Observer

AAH hits £18m on back of buoyant healthcare market

By Peggy Hollinger

A BUOYANT healthcare market and the withdrawal of a competitor helped pre-tax profits of AAH Holdings, the diversified distribution company, advance 11 per cent to £17.6m in the half year ended September 30.

The result was struck on turnover 12 per cent ahead at £679.7m.

Mr Bill Pybus, chairman, said the results reflected "solid progress" in healthcare, with a substantial advance in the group's pharmaceuticals distribution business. Healthcare profits rose by £1.6m to £13.9m on sales 11 per cent up at £564.2m.

About half of that division's increase was due to the acquisition of turnover from the withdrawal of rival Medicopharma last November. The other half was due to an underlying growth in the sector.

Mr Bill Revell, managing director, said the UK pharmaceuticals market had benefited from the combination of an ageing population and more expensive drugs.

In the early part of the summer – known as hay fever season – the overall market had been growing at about 12 per cent. However, when the wet weather hit Britain in July and August underlying growth fell back to about six per cent.

The environmental division – rubbish collectors and road cleaners – benefited from a small acquisition and increasing contracts from local authorities. Profits advanced by 20 per cent to £3m.

The difficult economy was blamed for the £200,000 decline to £1.5m in building supplies and the £100,000 loss (£500,000 profit) in consumer products. Mr Pybus said the consumer division was expected to incur a similar loss in the second half. Distribution increased from £300,000 to £1.4m due to the acquisition of ECE in April. The purchase had refocused AAH on to higher margin and more reliable contract distribution services, particularly for the food sector.

During the half year, AAH spent £28.2m in cash and shares on acquisitions. The company currently has 182 retail pharmacies.

The interim dividend was raised 7 per cent to 5.8p.

● COMMENT

A stock with defensive as well as cyclical qualities might not offer the spectacular returns some would hope for. However, to enhance the defensive position by holding a leading role in the growing pharmaceuticals market certainly adds a bit of spice. AAH Holdings yesterday showed that it had not skimped on spice with results showing that growth in healthcare had outstripped that of the sector. Rationalisation of Medicopharma business – initially delayed by a Monopolies and Mergers inquiry – and the acquisition of Ireland's Cahill May Roberts group promise even greater growth in the future. On the cyclical side, those betting on economic recovery should eventually see a good upturn in the building and consumer divisions. Forecasts are for about £37.5m in the current year, leaving the shares on a prospective p/e of about 16 times. While the medium-term prospects look tantalising, the market appears to have factored in the good news for the moment.

Yeoman circular

Yeoman Investment Trust has sent a circular to shareholders outlining its proposals for reconstruction of the trust, and extension of its life until December 31, 1998.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AAH	int	5.8	Mar 25	5.4	-	16.35
BPB Inds	int	2.7	Jan 22	4	-	11.25
Brockhampton	int	2.2	Dec 31	1.95	-	4.95
Brown & Tawse	int	nil	-	2.85	-	4.7
Castings	int	1.3	Jan 9	1.3	-	4.07
Concentric	fin	7.83†	Jan 19	7.83	11.17	11.17
Dart	int	1.3	Jan 14	1.3	-	3.3
GEI Intl	int	2.47	Jan 18	2.47	-	7.32
Gibbs Mew §	int	3	Apr 6	3	-	6.75
Grampian TV	int	1.1	Jan 18	1	-	5.5
Greyfriars Inv	fin	4	Dec 31	4	6	6
Macdonald Martin	int	2.2	Jan 8	2.2	-	8.8
Morland	fin	5.98	Jan 29	4.99	8.4†	7.16
Northern Foods	int	3.4	Mar 5	3.24*	-	7.875*
Powell Duffryn	int	6.8	Jan 8	6.6	-	22.6
Scantronic	int	0.79	Jan 15	0.79	-	2.975
Scottish Invest	fin	3.02	Feb 18	2.9	4.62	4.4
Seton Health	int	1.7	Jan 31	1.5	-	6.1
Southampton §	int	0.7	Jan 15	0.5	-	1.5
South West Water	int	7.8	Mar 4	7.1	-	21.7
Stoddard Sekers	int	0.75	Jan 7	0.75	-	2.7
Tomkinsons	fin	8	Feb 11	8	11.5	11.5
Welsh Water	int	7.6	Mar 1	7.13	-	21.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Market signals issue success for Tomkins

By Richard Gourlay

TRADING IN Tomkins' nil-paid shares ended sharply up yesterday ahead of the November 30 deadline for the conglomerate's first call on shareholders under its £653m rights issue to fund the recommended bid for Ranks Hovis McDougall.

The nil paid closed up 8½p at 20.5p and the underlying shares up 9p at 222p, giving every indication that shareholders will fully subscribe to the issue barring any unforeseen external disruption in the market as a whole.

Once the rights issue is successfully away, Tomkins' next target is to keep its share price near the 227p level ahead of the first closing date of the RHM offer on December 7. At this price Tomkins' offer of 520p and 2.29 new shares for every four RHM shares is worth more than the 260p cash alternative, encouraging shareholders to stay with Tomkins rather than take the cash.

As the share price headed strongly away from the 200p rights issue price, which it briefly threatened last week, Mr Greg Hutchings, chief executive, was confident Tomkins would end up with a strengthened shareholder register. Advisers to Tomkins say there has been exceptionally high turnover in the nil paid shares, suggesting a significant shift in the make-up of the shareholder base. The fall in Tomkins' share price appears to have allowed some institutions to join the shareholder register when previously they were underweight or had thought the shares were too expensive.

As shareholders have examined Tomkins' bid for RHM, much of the initial hostility and opposition to the £935m offer appears to have subsided.

"I have not had much hostility from the institutions that I have seen," he said. "What we misunderstood was the size of the rights issue in volatile markets. A number of shareholders decided to sell enough rights to take up the shares."

City observers say this is consistent with the fact that institutions are not flush with liquidity at the moment.

Some institutions have also said that while Tomkins' shares were not attractive at the 261p level prevailing before the bid for RHM, they were attractive again after the 15 per cent fall in the price.

The recent devaluation in sterling would have a beneficial impact on earnings this year. And recession in the US, where Tomkins has over three quarters of its business before the RHM deal, would end earlier than in the UK.

Mr Hutchings said that some people had "taken their eye off the ball". "This is a company [RHM] making £92m; the cost of funding a £936m acquisition with borrowings is £65m at 7 per cent so there is plenty of upside." He also said he had been encouraged by the "numerous, numerous" offers he had received for parts of RHM's bakery, grocery, milling and baking businesses which reinforced Tomkins' belief in its target's value. This did not necessarily mean Tomkins would break with its history of tending to run rather than sell businesses that it buys.

"We are builders of mature businesses in mature markets," he said.

While institutions appear to have been brought around to supporting the RHM deal, a number still question whether Tomkins' rating at a premium to the market will not have been smeared slightly with a food company rating which could hold back any substantial recovery from the current share price.

Mr Hutchings insists this has never been the case before. "We have gone into a lot of unfashionable businesses," he says. "We have not been rated for our industrial fasteners or our handguns or lawnmowers, and look at the likely progress. The next deal will not be in food, just as it won't be in lawnmowers as it won't be in handguns."

Profits growth restricted at two water companies

South West edges up 4%

By Bronwen Maddox, Environment Correspondent

SOUTH WEST Water saw its first half pre-tax profits rise restricted to 4 per cent by the costs of cleaning up beaches from Lyme Regis to Penzance.

Profit came to £48.9m in the six months ended September 30 1992, against £47.1m, and was generated from turnover ahead 15 per cent to £96.7m (£84.1m).

Earnings per share were 37.1p (36.1p) and the interim dividend is 7.8p (7.1p).

Over 93 per cent of turnover comes from the core regulated water and sewerage businesses.

The increase was mainly the result of price rises of 16 per cent in the core businesses, even though the impact of recession on commercial water customers cut 1 per cent off core turnover.

Alone among the 10 public water and sewerage companies, South West has secured an increase in its price formula from Ofwat, the industry regulator, since privatisation in 1989.

Its original limit of annual rises of 6.5 per cent above the rate of inflation was lifted to 11.5 per cent to cover the rising costs of its water treatment programme.

South West has a particularly high number of beaches whose quality is regulated by EC directives, and it expects that its capital investment programme will eventually cost it some £2.2bn between privatisation and the end of the decade.

Within total turnover, revenues from the non-regulated water services, instrumentation and pipeline businesses rose to £17.5m (£11.1m), partly because of work on South West's own water treatment schemes.

Mr Keith Court, chairman, attributed part of the 25 per cent advance in operating profits from £33.3m to £41.6m to cost control, and added that it compensated for the fall in interest receivable to £7.6m (£13.9m).

The investment programme cut net cash to just £90m at the end of September from £212m in March 1992 and £180m in September 1991.

The increase in tax to £3m (£2.9m) was ACT paid on dividends – like much of the water industry, the group's capital allowances shield it from mainstream corporation tax.

Mr Ken Hill, finance director, said: "We're feeling pretty robust, and there are signs that the recession may have peaked in the south west although we are not complacent".

● COMMENT

Results from South West Water were at the top end of analysts' expectations although the shares failed to respond. But the capital spending programme will probably drain the last of the cash by next March giving a net interest charge for the first time since flotation, while depreciation charges will continue to rise. In the past few weeks the group has agreed with Ofwat that annual price rises for the next two years will be 11 per cent on top of inflation. While the deal gives welcome stability up to Ofwat's 1994 periodic review of the industry's pricing structure, Ofwat's thinking on price increases in the second half of the decade is only beginning to emerge and long-term returns remain hard to estimate. With those concerns, and the dividend for the second half likely to rise by less than that of the first, the shares may lack reasons to perform.

Interest costs curb Welsh Water

By Angus Foster

RISING INTEREST costs because of growing capital investment held back profit growth at Welsh Water, the Powys-based water and sewage company, to 1.5 per cent in the six months to September 30.

Pre-tax profits increased from £74.1m to £75.3m after net interest earnings fell from £10.7m to £5.6m.

Mr John Elfed Jones, chairman, said the performance was "very commendable". The recession, which appeared to hit Wales later than England, led to a 4 per cent fall in income from metered consumption, reflecting lower usage by companies and factories. Mr Graham Hawker, managing director, said the fall in metered usage seemed to have levelled off.

Turnover increased 8 per cent to £185.4m (£171.1m) because of average price rises of 9.3 per cent.

Operating costs moved up nearly 8 per cent to £118.4m. Staff numbers were unchanged and pay rises held at 4.3 per cent.

Cost controls helped lift operating profits 9 per cent to £67m (£61.8m).

Capital investment remained on target and is forecast to rise this year to £206m (£189m). Depreciation for the period increased 15 per cent to £16.1m while infrastructure renewals rose 6.7 per cent to £11.1m.

Welsh's net cash holdings fell to £90m (£154m) and the company expects to have small net borrowings by the end of next year as its investment programme continues.

Non-regulated businesses, which include a pipeline company and a hotel group, continued to perform poorly and reported operating losses of £1.4m (£2.8m) on turnover of £28.4m. Mr Jones said he hoped non-regulated businesses would break even in 12 months.

Earnings increased to 49.1p (48.5p) and the interim dividend is raised to 7.8p (7.13p).

The shares added 3p to close at 526p.

● COMMENT

After limiting its price increases by 1 per cent in June, Welsh can feel slightly smug at seeing Ofwat impose similar constraints on the rest of the sector. That does not detract from those who argued Welsh could most afford such restraint. Pre-tax profit growth may have been flat, but operating profits rose strongly and Welsh is in the enviable position of having at least another year before it goes from net cash to net debt. But the company's forays into unregulated areas such as hotels continue to disappoint. The timing of these ventures ahead of recession was unfortunate, but their lack of success continues to provide somewhat of a drag on the shares. Perhaps with Mr Jones retiring next year, and management promising "greater focus" to the non-core side, a more radical review of strategy will be forthcoming. Full year forecasts of £143m put the shares on just under six times, which looks about right relative to the sector.

Concentric almost doubles to £8.25m

By Roland Rudd

CONCENTRIC, the engineering and components group, almost doubled pre-tax profits from £4.22m to £8.25m for the year ending September 30.

The profit rise, on sales of £113m (£112.9m), was mainly due to the turnaround at two of the group's subsidiaries.

New management at Concentric Pumps, which produces parts for diesel engines, was responsible for producing an operating profit of £1m. It had incurred a loss of £2.5m.

Mr Tony Firth, chairman, said the former management at Concentric Pumps had been replaced last year because it had lost control of costs.

Capital expenditure, which remained unchanged at £4.8m, is likely to be increased as a result of the company's net cash position of £11m, due to this year's rights issue.

About £1m had been earmarked for Concentric Pumps, with further expansion of its plastic mouldings and automotive businesses.

Mr Firth said he was encouraged by the 7 per cent rise in overseas sales.

Earnings increased to 23.25p (13.21p). The final dividend is held at 7.63p for an unchanged total of 11.17p. The group is proposing a 1-for-1 scrip issue.

● COMMENT

Having shot themselves in the foot by losing control of costs at key businesses the group has aggressively regained control of its subsidiaries. It is difficult to fault the timing of its rights issue which will allow a needed increase of capital expenditure. The recent devaluation of sterling is expected to further underline the growth in overseas sales. Its house brokers are forecasting pre-tax profits next year of £10m, giving earnings per share of 24.3p. This puts the shares – up 7p at 360p – on a prospective multiple of 14.8, a slight discount to the market. Not a get rich quick stock but may prove attractive to investors willing to wait a few years.

Restructuring behind Powell Duffryn surge

By Andrew Bolger

SHARES in Powell Duffryn rose sharply after the distribution, storage and engineering company reported a 35 per cent increase in pre-tax profits, in spite of seeing no improvement in its principal markets, the UK transport and energy sectors.

Proceeds from restructuring the group helped cut interest costs from £4.9m to £2.6m, which was the main factor behind the rise in pre-tax profits from £6.89m to £9.33m in the six months to September 30. Turnover was down 7 per cent to £330.8m (£355.4m).

Powell Duffryn Standard, which builds rail freight wagons and bogies, and Metalair, which makes bulk powder tankers, both continued to suffer from a dearth of orders and made a combined trading loss of £2.5m.

The group is closing its railway manufacturing plant at Heywood in Lancashire, with the loss of 56 jobs, and said its railway plant in Cardiff, which employs 130 people, would also be run down unless firm orders materialised. Several European companies are discussing manufacturing the bogies – perhaps under licence on the Continent.

Powell Duffryn sold its quarry interest for £30m in September last year and in April it received £19m from the sale of its ship-owning subsidiary, Stephenson Clarke. This inflow helped cut gearing from 38 to 31 per cent.

Mr David Hubbard, chairman, said the profits increase demonstrated the benefits beginning to emerge from the major structural changes which had been implemented over the past two years.

David Hubbard: benefiting from structural changes

Weak summer demand for heating and industrial fuels caused the group's fuel distribution division to make a loss of £377,000, compared with a trading profit of £905,000 last time.

Despite the losses at Powell Duffryn Standard and Metalair, the group's engineering division saw trading profits advance by 11 per cent to £5.5m, mainly due to the steady performance of Hamworthy's marine activities, and increased contributions from its combustion division.

Shipping and storage increased trading profits from £4.5m to £6.9m, boosted by a full contribution from the Tees and Hartlepool ports, which a consortium led by Powell Duffryn bought in January. The group said the performance of the ports had exceeded its expectations at the time of the acquisition.

Earnings per share rose by 36 per cent to 9.1p (6.7p). The interim dividend was held at 6.6p.

● COMMENT

Yesterday's 7 per cent rise in the share price, from 389p to a new four-year peak of 416p, reflects a surge of enthusiasm for the new-look Powell Duffryn which has emerged from the recentrestructuring. The City was also cheered by strong indications that the group will not be slow to increase its final dividend. Even where problems exists – as they plainly do in the railway businesses – the management has shown itself willing to staunch the losses. Although the profits figure is flattered by the drop in interest payments, the underlying performance is impressive in view of the flat energy and transport markets. Full-year profits are forecast at about £30m, which puts the shares on a prospective multiple of 13.5. The shares have had a good run recently, but that does not seem too demanding for a high-yield stock with recovery potential.

Losses deepen to $47.4m at GWR

By Peggy Hollinger

LOSSES virtually doubled at Great Western Resources, the USM-quoted oil, gas and coal company which almost collapsed earlier this year following litigation with its largest customer.

The group, which is based in the US, yesterday announced pre-tax losses of $47.4m (£31.1m), against $24m last time. Sales were 44 per cent lower at $74.9m for the year to September 30. Losses per share deepened from 26 cents to 52 cents. There was no dividend.

Mr William Phillips, finance director, said the increased losses reflected the impact of litigation and a $10.7m write-down on oil and gas assets.

Mr Phillips said the litigation had depressed coal profits by about $15m. In the year just ended, the company had incurred about $1.4m in costs associated with the litigation.

GWR planned a $34m capital expenditure programme in the current year, to be funded by revenues and existing cash balances. The group also planned to develop its main oil and gas asset, he said.

The group was not expected to return to profit in the current year, Mr Phillips said. "This is not just an overnight scenario," he said. "It will take a little time to rebuild."

GWR is still in dispute with its former chairman, Mr Dan Pena. The flamboyant businessman who founded GWR is suing the company over his dismissal in April.

Provisions behind fall at Gibbs Mew

By Peter Pearse

TAXABLE profits at Gibbs Mew, the 58 per cent family-owned brewer and commercial property company, fell 25 per cent from £503,000 to £377,000 even though trading profits edged ahead by £22,000 to £1.52.

Behind the pre-tax decline was an exceptional charge of £262,000 which related to "provisions against sums due from customers for loan and trading debts and guarantees arising under the customer support loan scheme secured by property and other assets".

Group sales advanced to £11.8m (£9.75m). The rise in free trade volumes helped trading profits of the brewery division grow to £1.19m (£1.03m) on sales of £10.7m (£8.58m).

There was an extraordinary charge of £129,000 relating to Gibbs' bid defence. Earnings contracted to 5.79p (7.08p) per share and the interim dividend is maintained at 3p.

Seton rises 43% to £2.13m and makes £13m cash call

By Andrew Bolger

SETON HEALTHCARE Group, the rapidly expanding medical products and sports equipment company, yesterday announced a £13.1m rights issue to fund further growth.

The 1-for-4 issue was priced at 240p. Seton's shares closed 11p lower at 281p.

Seton also reported a 43 per cent improvement in pre-tax profits to £2.13m for the six months to August 31. After adjusting for disposals in the US and the discontinuance of French business, turnover of the continuing businesses rose by 35 per cent £17.8m.

The proceeds from the rights issue will be partly used to buy Cupal, a Blackburn-based company which makes and distributes Meltus cough medicine; Cupanol, a children's liquid painkiller; and Cuprofen painkilling tablets.

Seton has also agreed to buy the UK and Eire manufacturing and distribution rights for the Betadine range of antiseptic products from Ladenburg, a Dutch pharmaceuticals company, for an initial payment of £2m, plus royalties.

Seton is paying £6.8m in cash for Cupal and issuing 500,000 of its shares to the vendors of the private company, which employs 150 people. Last year Cupal made trading profits of £581,000 on sales of £5.7m.

Seton said the acquisition was in line with its strategy of building a branded healthcare portfolio and would add several over-the-counter products to its range. It believed that although Cupal's main brands were well established, their sales could be substantially increased by marketing them alongside existing Seton brands with the benefit of integration with Seton's wider community, wholesale and retail selling network.

The remaining proceeds of the issue will be used to reduce Seton's borrowings to about £2.5m, giving gearing of 15 per cent.

The cash call was underwritten by Robert Fleming and joint brokers to the issue were Beeson Gregory and de Zoete & Bevan.

Earnings per share were 6.1p (4.7p). The interim dividend was raised to 1.7p (1.5p).

● COMMENT

This rights issue and related deals fit in snugly with the strategy which Seton has been pursuing with such vigour since it came to the market at 130p a share in the summer of 1990. The group is paying a high multiple for Cupal, but such calculations are often of limited application to small private companies. Seton is confident that the deal will enhance earnings next year and the management has an impressive track record. Forecast pre-tax profits of £6.2m put the shares on a prospective multiple of just over 17. That rating looks justified, but a constraint on further advances is the thought that this will not be the last cash call to shareholders.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.11.92: Pool purchase price £/MWh	Final Prices for Trading on 30.10.92: Pool purchase price £/MWh	Final Prices for Trading on 30.10.92: Pool selling price £/MWh
0030	18.08	20.32	20.32
0100	28.08	23.44	26.52
0130	30.00	28.88	31.98
0200	30.00	28.68	31.83
0230	22.72	23.44	26.46
0300	22.72	20.35	20.36
0330	20.92	20.32	20.32
0400	18.40	18.18	18.18
0430	18.08	17.73	17.73
0500	18.08	17.73	17.73
0530	18.25	17.72	17.72
0600	17.83	17.72	17.72
0630	18.02	20.37	20.37
0700	20.03	20.57	20.57
0730	24.20	22.85	25.88
0800	25.16	23.11	26.13
0830	26.28	23.14	26.16
0900	28.28	24.71	27.78
0930	26.28	26.44	36.64
1000	26.28	25.44	28.53
1030	26.28	25.41	28.50
1100	24.32	24.68	27.74
1130	24.32	24.67	27.72
1200	24.32	23.15	26.15
1230	24.32	24.65	27.71
1300	24.32	23.13	26.12
1330	20.92	23.11	26.11
1400	20.87	20.91	20.91
1430	18.90	20.84	20.84
1500	18.90	20.84	20.84
1530	19.98	20.84	20.84
1600	20.61	20.84	20.84
1630	29.12	21.19	21.19
1700	31.28	31.01	35.40
1730	32.81	33.31	37.91
1800	32.22	33.44	38.01
1830	28.42	29.70	33.42
1900	27.51	25.32	28.46
1930	27.48	24.89	27.90
2000	25.28	24.79	27.79
2030	24.12	22.35	25.28
2100	24.08	22.35	25.29
2130	23.35	22.02	24.96
2200	23.23	21.90	24.86
2230	20.92	21.52	24.47
2300	19.98	20.35	20.35
2330	17.83	20.32	20.32
2400	17.72	17.71	17.71

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Looking for some light in the tunnel

Paul Taylor on the controversy surrounding Amstrad's £113m buy-back proposal

AMSTRAD's 31,000 shareholders are still largely in the dark about the financial prospects for their company.

That is in spite of last Tuesday's marathon four-hour annual meeting which mainly focused on Mr Alan Sugar's controversial £113m plan to buy-back the shares he does not already own.

Mr Sugar, Amstrad's chairman, founder and 36 per cent shareholder, said he hoped the consumer electronics group which he built into a £625m international business in the late 1980s, would not make another loss this year, but must undergo further surgery if it was to prosper in the 1990s.

Whether or not his 30p-a-share buy-back plan is approved in two weeks time, he has told shareholders that the Amstrad business, and overheads in particular, must be cut.

For shareholders, the group's future prospects are a crucial factor in their decision to accept, or reject, Mr Sugar's offer. Individual and institutional investors have complained about the lack of financial forecasts in Mr Sugar's offer documents and feel there is nothing except Mr Sugar's own word to go on.

"We're being taken out at the bottom of the cycle and I just don't know what the value is," one institutional investor complained.

The Amstrad board, and Kleinwort Benson, its financial advisers, said in the offer documents that they were "unable to present a meaningful forecast of profit or loss" because of "the uncertainty inherent in the projections and the level of contingencies which would have to be included."

Since then the board has added that "it is not material and would be commercially damaging to the business to disclose publicly how much shrinkage [in Amstrad] might be achieved." But on the basis of Mr Sugar's answers to critical shareholders' questions, it is clear that his vision of Amstrad's future is very different from its past.

In the 1980s Mr Sugar and Amstrad successfully identified and exploited the mass consumer market for low cost electronic systems like audio equipment, personal computers and then satellite dishes and receivers. But Mr Sugar says "those days have gone forever," and warns shareholders who think otherwise that they are "dreaming."

The recession and fierce price competition has eroded margins on consumer electronics products while fashion and the fast pace of technological change means that the "shelf-life" of a new PC, for example, has fallen from 18 months to just six months.

Most crucially, Mr Sugar says he has run out of "blockbuster" product ideas. He admits he is tired of "fire-fighting" and does not feel comfortable running a large international group. He says now that he wants to return to what he does best – hands-on management of a fast-paced small consumer electronics trading company. Amstrad's business has already been scaled down dramatically.

Turnover in the year to June 30 was £356.6m – 43 per cent below the peak 1989 level. Over the same period the number of employees has fallen from 1,647 to 743. In the meantime, Amstrad has "cleaned out the cupboard," writing down stocks by an average of 18 per cent and taking a £32m provision last year, split evenly between restructuring costs and inventory write-downs.

Although Mr Sugar has not detailed where Amstrad will retrench, and the board has said that "no detailed plans exist," the only currently profitable business is satellite receivers and dishes, and Amstrad faces pressure from new entrants even in this maturing market.

Amstrad's professional computer business, which represented about 40 per cent of turnover last year, is a big loss-maker because of ferocious price cutting. Some analysts reckon the PC business posted a pre-interest loss of £25m last year, and speculate that Amstrad will soon quit the business having already exited from the home computer market.

Amstrad has been expanding its video equipment business and has about a 10 per cent UK market share and, more recently, its audio products segment which is, coincidently, the market Amstrad first targeted. What therefore might emerge is a domestically refocused Amstrad, still in the consumer electronics business, but with annual sales of perhaps between £120m and £150m.

Although Mr Sugar has been careful not to issue any forecasts, he did sketch out a scenario at the annual meeting in which a slimmed down Amstrad produced profits of around £8m a year. Based on that scenario he predicted Amstrad would have a market capitalisation of around £65m and a share price of about 10p.

He has also warned that there is little prospect of Amstrad's share price rising significantly, or the dividend increasing substantially in the near future.

However, many individual shareholders still believe that his 30p-a-share offer is inadequate, especially when stacked up against the company's net asset value of 46.3p per share.

The Amstrad chairman counters that the group's share price was hovering around 22p before he first mooted his offer, and no alternative bid has emerged. If his bid was matched, and offered to all shareholders, he says he would sell.

The £122.2m, or 21.6p per share, of cash Amstrad had at the end of June has drawn particular interest. Even allowing for bank loans of £8.5m and finance leases of £5.7m, net cash was £108m or 19.1p per share. In addition, cash reserves should be boosted by £21m, or 4p per share, in UK corporation tax refunds which will help offset any further rationalisation costs and the £8m spent on increasing Amstrad's stake in Betacom.

However, Mr Sugar argues that the group's "core" cash, excluding seasonal fluctuations, is much lower at about £60m – equivalent to about 7p a share. And he says the 15p difference between this and the base 22p market price reflects the City's real valuation of the ongoing business and its non-cash assets.

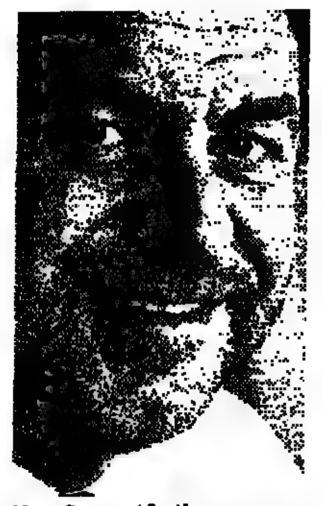
Touche Ross, Amstrad's accountants, advised Kleinwort Benson that a voluntary liquidation would be unlikely to generate proceeds "materially in excess of 30p per share" and would probably result in shareholders receiving less than 30p.

Nevertheless, there are those who agree with the dissident shareholders that Mr Sugar is trying to buy Amstrad stock "on the cheap." In particular, Barclays de Zoete Wedd, in its latest report on Amstrad, said the company was "significantly undervalued at 30p" and agreed that an offer closer to net asset value "would represent a fairer outcome."

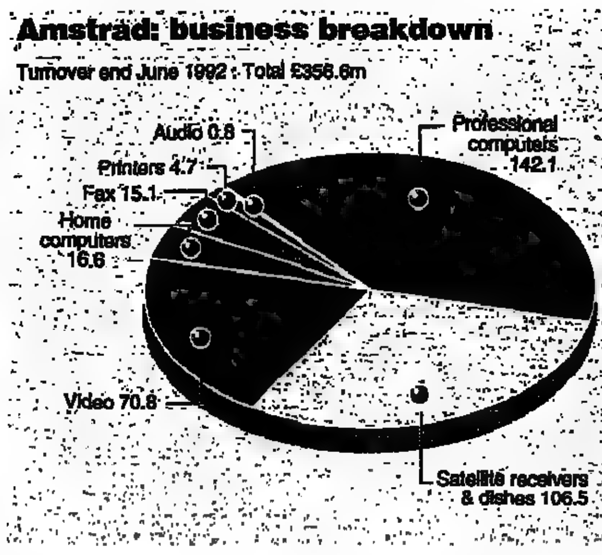
There are other uncertainties which could also influence Amstrad's value – including the eventual outcome of legal action seeking substantial damages from two US electronics groups.

Predictably, Mr Sugar is dismissive of these issues, and forcefully tells shareholders that his 30p-a-share is the most he can afford, and the most they are likely to get.

The battle lines for the extraordinary meeting on December 10 have been drawn.



Alan Sugar - further surgery needed for future prosperity



Directors respond to 'inaccurate and misleading' criticism

Amstrad's directors sent a letter to shareholders yesterday responding to some of the criticism of Mr Sugar's 30p-a-share buy-back bid for the shares he does not already own.

The board, which does not include any non-executive directors, described some of the comment on Mr Sugar's offer as "inaccurate and misleading."

In particular the directors emphasised that Kleinwort Benson, "is not providing, and never has provided, advice to Amshold or Mr Sugar" in connection with his bid.

"Kleinwort Benson was appointed by Amstrad's board to provide independent financial advice for shareholders on the proposal."

The letter also defended the proposed $50m (£33m) loan from Amstrad to Amshold, Mr Sugar's private takeover vehicle.

In connection with Mr Sugar's offer price, directors warn shareholders "that a company's audited net asset value does not represent its likely realisable value on liquidation nor necessarily its value on sale".

Recession puts dent in growth at Castings

By Matthew Curtin

CASTINGS, the West Midlands-based iron castings producer, announced a fall in pre-tax profits from £1.7m to £1.59m in the six months to September 30, as the depth of the recession dented its long record of solid profits growth.

Turnover fell to £16.3m (£16.9m), and tightening margins reduced operating profit to £1.31m (£1.45m).

Mr Brian Cooke, chairman, said "good cash management" led to an increase in other income to £282,704 (£246,137), which would have been higher if not for lower interest rates.

The depressed building and construction sectors had hit Castings' business badly, and there was no sign of an upturn. Orders had picked up in April, but had then fallen sharply, particularly since August.

Mr Cooke said any recovery in demand for the group's products – a range of graphite iron castings sold to manufacturing industry from its foundries in Walsall, Rotherham and Sheffield – was most likely to come from the car and commercial vehicle markets.

Castings' foundries were operating at an average of 70 to 75 per cent of full capacity. The group shed about 10 per cent of its 1,000-strong workforce in the half-year as costs were cut.

The interim dividend is held at 1.3p, against a drop in earnings per share from 5.5p to 5.05p.

NMB acquires stake from Steel Burrill

Steel Burrill Jones, insurance broker, has sold its 21.2 per cent shareholding in Newman Martin and Buchan for £2.47m in cash.

NMB is an insurance broker which specialises in energy, marine and reinsurance broking. It has acquired SBJ's holding pursuant to a repurchase of its own shares.

SJB said it had relinquished its investment as it now owned SBJ Regis Low which competed with NMB for business.

Morland matches defence estimates with 28.5% advance

By Philip Rawstorne

MORLAND, the Thames Valley-based brewer which beat off a hostile takeover bid by Greene King earlier this year, yesterday reported a 28.5 per cent increase in annual pre-tax profits from £5.93m to £7.62m.

The result was in line with forecasts made during Morland's successful defence of its independence which cost £1.75m, included in extraordinary charges of £2.03m in the figures for the year to September 30.

Earnings per share improved 15 per cent to 26.1p (22.7p); a proposed final dividend of 5.98p lifts the total to 8.4p, an increase of 18.3 per cent.

Operating profit rose 41 per cent to £8.52m (£6.04m) on turnover ahead 21 per cent ahead at £40.9m (£33.7m) in spite of "very poor trading conditions" in the final quarter.

Volume sales of Old Speckled Hen ale doubled as a result of the acquisition of 101 pubs from Courage and trading agreements with Boddington, Everards and, more recently, Adnams.

Mr Jasper Clutterbuck, chief executive, said further benefits would come this year from 72 pubs bought from Inntrepreneur Estates and a trading agreement with Courage.

Free trade volumes improved 16.4 per cent and now accounted for 27 per cent of sales.

Bad debt provisions had been reduced from £278,000 in the first half to £41,000 in the second six months.

Turnover and profits of the 65 managed houses increased by 18 per cent. Food sales improved 42 per cent and now accounted for 24 per cent of income.

Interest charges rose from £115,000 to £897,000 as a result of the expansion of the pub estate. But, with gearing at 25 per cent, Mr Clutterbuck said: "We shall continue to develop the business both organically and by acquisition."

HSBC makes further provision for Concord

By Simon Davies in Hong Kong

HSBC Holdings, the parent of the Hongkong and Shanghai Bank and Midland Bank, has taken a further provision of $61.4m (£40.6m) against Concord Leasing, its troubled US equipment leasing business.

This comes just two months after it announced the resignation of Concord's senior management, together with a $100m cash injection and $75m provision.

The latest write-down followed a review of Concord's entire asset portfolio. HSBC said it had established general provisions sufficient to support Concord's continuing business activities, in addition to taking "specific provisions for all identified weaknesses in Concord's asset portfolio."

The initial $75m write-down taken in September was against Concord's ageing shipping portfolio, and raised concerns over insufficient management control from the parent company.

Concord had assets of $2.17bn in December 1991, and analysts had considered further provisions to be inevitable. The latest charge was taken in the quarter ended September 1992.

HSBC has appointed Mr Matthew Colasanti as president and chief executive for Concord. However, Mr David Budd, a senior HSBC executive from *Hong Kong, has been* appointed chief operating officer. HSBC said that Concord planned to remain active in the leasing business, despite the impact of the US recession.

Since HSBC's successful takeover of Midland in June it has also taken a $187.5m provision against its exposure to Olympia & York. The banking group made total provisions of HK$4.48bn (£381m) against bad and doubtful debts at the interim stage.

Macdonald Martin tumbles 42% on downturn in bulk shipments

By Graham Deller

MACDONALD Martin Distilleries, which produces Glenmorangie and Glen Moray malt whiskies, suffered a sharp setback at the interim stage as bulk shipments to its international markets were reduced.

Pre-tax profits for the six months to September 30 amounted to £2.69m, a 42 per cent contraction on the comparable £4.67m. Turnover declined 23 per cent to £11.7m (£15.2m).

The shares fell 70p to 400p.

Mr David Macdonald, chairman, said discounting by competitors and depressed trading, particularly in Australia, New Zealand and the US, had affected both volumes and margins and the group had been compelled to reduce prices.

The position was partially ameliorated by another good performance in Japan where sales were ahead despite a seasonal decline in shipments.

Mr Neil McKerrow, managing director, said total shipments of Glenmorangie were in line with last year following increased worldwide marketing expenditure in the brand.

The distillery was currently operating at about two-thirds of capacity and was likely to remain that way.

Nevertheless, the brand had outperformed the market with sales up 2 per cent against an industry downturn of about 4 per cent.

The smaller Glen Moray distillery was working at full capacity, he said. The brand had been repackaged and repositioned in the market place.

Profit margins in cased blend whisky were cut to protect existing markets.

Overall margins fell from 31 per cent to 28.5 per cent, with the decline totally attributable to blended whisky, Mr McKerrow said. Malt whisky margins had been maintained, he added.

Industry price discounting and an uncertain Christmas season made prospects for the second half difficult to forecast.

Earnings per A share dropped to 13.08p (22.74p) but the interim dividend is maintained at 2.2p.

Frogmore spending £13m to buy in shares

By Vanessa Houlder, Property Correspondent

FROGMORE ESTATES, a property investment company, yesterday announced plans to spend £13.1m in buying in its own shares for cancellation.

It has asked its shareholders permission to buy 5.2m shares or 13.1 per cent of its share capital from Markheath, another property company.

The Markheath stake was the rump of a 27.2 per cent interest – totalling 10.9m shares – in Frogmore it accumulated between June 1988 and April 1990. In April 1991, it sold 4m shares to Southend Properties, which launched an unsuccessful £139m bid for Frogmore.

Southend later sold its stake in Frogmore to Regalian Properties in October 1991. Regalian sold the stake in June this year.

The proposed price is 250p a share. This compared to its share price of 279p, after a rise of 9p yesterday, and a reported net asset value per share of 411p at June 30.

Frogmore said the deal would increase its net assets per share from 411p to 435p. Its gearing would increase to around 40 per cent.

It is seeking approval from its investors because it does not have the existing authority to buy its own shares and because it is buying from a substantial shareholder.

Markheath's shares were unchanged yesterday at 6½p.

NEWS DIGEST

Packaging side helps GEI double

A STRONG performance from its packaging machinery side helped GEI International, the Bedfordshire-based engineer, to double profits in the six months to September 30, writes Graham Deller.

On turnover ahead to £38.2m (£35.7m), pre-tax profits advanced to £1.08m against £511,000.

Mr Michael Blackburn, chairman, said packaging machinery followed an "outstanding" 1991 with a similar performance in the half, while processing machinery lifted profits substantially and losses in the special steels division were reduced.

He warned, however, that although most of the group's operating companies performed "relatively well" in an uncertain economic climate, trading conditions remained difficult.

Earnings per share improved from 0.65p to 1.31p; the interim dividend is held at 2.47p.

Stoddard Sekers tumbles to £432,000

Profits at Stoddard Sekers, the carpet and furnishings manufacturer, fell from £1.05m to £432,000 in the half year ended September 30, reflecting continued deterioration in consumer durable products.

With the purchase of BMK sales rose to £25.5m (£22.2m). But those from the original group showed a fall because of a drop in volume and the effect of pricing pressures and a weaker mix of sales.

The losses at BMK have been stemmed and the drop in pre-tax profit was attributable to other companies. Finance charges rose to £458,000 (£189,000).

Earnings per share were 0.3p (1.2p) and the interim dividend is held at 0.75p.

Gearing rose to 43 per cent with the purchase of BMK and assimilation of its debt.

Southnews improves 32% to £651,000

Pre-tax profits of Southnews, the USM-quoted London regional newspaper publisher, increased by 32 per cent, from £494,000 to £651,000, in the six months to September 28.

The outcome was achieved on turnover up by just £41,000 to £7.19m and was boosted by a reduction in the interest charge from £157,000 to £30,000.

The directors said that in September the bank balance became positive for the first time since 1988, and would remain so for the foreseeable future.

The company also announced the sale of its publishing interests in Worthing, West Sussex, and this marked the completion of the programme of disposals of titles in peripheral geographical areas.

The proceeds of the sale would added to existing cash reserves, the directors said, to help fund future expansion.

Earnings came out at 2.84p (2.13p) and the interim dividend is increased to 0.7p (0.5p).

Alphameric cuts losses sharply

Losses at Alphameric, the information technology group, were cut from £1.53m to £252,000 pre-tax for the six months ended September 30.

Turnover of continuing operations improved to £3.02m (£1.44m). Exceptional credits of £90,000 compared with previous provisions of £40,000. Losses per share amounted to 1p (27.6p).

The directors said turnover benefited from new orders for Alphameric Keyboards and from the first significant orders taken by Alphameric Communications.

N American Gas lifts asset value

North American Gas Investment Trust had a net asset value of 70.7p per share at October 31 against 68.6p a year earlier.

Net revenue for the first quarter amounted to £100,000 (£121,000) for earnings per share of 0.29p against 0.34p.

Dart declines 19% to £965,000

A 19 per cent reduction in pre-tax profit is announced by Dart Group, the aviation services and forwarding and distribution combine, for the half year ended September 30.

Profit worked through at £965,000 (£1.19m), although turnover increased from £19.1m to £21.3m.

Mr Philip Meeson, chairman, said "we have had to cut back in some areas to ensure our competitiveness, but our already tight ship has meant relatively few redundancies."

There had been a review of marketing and associated strategyat Benair and Channel Express in the distribution division, which had reinforced the strategy for growth.

Channel Express Air Services, which operates freighter aircraft on UK and European contracts, had to make savings to maintain competitiveness.

Earnings per share came to 4.4p (5.9p) and the interim dividend is held at 1.3p.

Tomkinsons shows 18% fall to £1m

Tomkinsons, the yarn and carpet group, blamed the "continuing low level of consumer confidence and spending" for an 18 per cent decline in annual profits.

On turnover down to £19.7m (£21.3m), the pre-tax line for the 12 months to October 3 fell from £1.28m to £1.05m.

However, Mr Lowry Maclean, chairman, described the performance as "steadfast". Gross margins were fractionally stronger, he said, reflecting control of production costs and sales prices.

Although overseas markets remained difficult, exports increased by 13.5 per cent.

A proposed final dividend of 8p maintains the total at 11.5p, uncovered by earnings of 10.3p (13.9p) per share.

38% rise to £1.55m for Scantronic

Further progress within all its principal markets enabled Scantronic Holdings to lift pre-tax profit 38 per cent, from £1.11m to £1.55m, in the six months ended September 30 1992.

The result was achieved on sales 10 per cent better at £18.5m (£16.8m). They were split as to £14.5m in Europe and nearly £4m in North America, while the operating contributions were profit £1.73m and loss £15,000 respectively.

Mr Chris Brookes, chairman, said in Europe the group continued to be a leading supplier of security products, assisted by the new Arrowhead sensor division which was making inroads into the detector product market.

In North America profitability had been improved substantially. Bank and inter-group debt was cut by $1.3m primarily from reduced raw material and finished goods stocks.

Earnings per share rose to 1.84p (1.01p). The interim dividend is again 0.79p.

كافة أصحاب الأعمال

RECRUITMENT

JOBS: The 'cult of winning' that tends to dominate top managements has costs as well as benefits

How to compete with the competitors

WHEN it comes to rising to the top of a company, what is the Eleventh Commandment? The answer, if we're to believe the American psychologist Albert Bernstein, is: "No one will tell you the first ten."

In saying as much, he doesn't mean you'll be starved of advice from bosses and workmates on how to win promotion to the heights. On the contrary, they'll be feeding it to you all the time.

What he does mean is that the rules and tips which are so spelt out to you, will rarely if ever be the ones that really work. The reason is that the minority of your colleagues who know the effective kind, will be too devious to tell them to a potential rival.

If readers see that claim as over-cynical, all the Jobs column can say is that Dr Bernstein's book* is the third to reach me in 12 months which has shed a less than usually flattering light on the abilities needed to mount the summits of big organisations. The other two were by Swedish professor of management Nils Brunsson and his US counterpart Jeffrey Pfeffer. Moreover, much the same picture emerged from the research study by Rob Irving, of the Whitehead Mann head-hunting consultancy, which I reported early in July.

"Once is accident, twice is happenstance, and three times enemy action," runs the old army saying. Four times, however, may be getting nearer the truth.

Albert Bernstein, for his part, maintains that the only way to learn the real commandments of organisational advancement is by quietly keeping your eyes on the behaviour of the people who do get ahead. But that is more easily said than done, he adds, because a good two thirds of us are hindered by our temperaments from absorbing the lessons such observations teach. And to show how, he divides the typical company workforce into three broad types of people.

The worst of the trio for would-be top managers to take as models are the *Rebels* even though they are apt to prove indispensable to their company, especially when crises strike. The most common example nowadays is the computer-system wizard who instantly solves problems which reduce everyone else to despair.

Besides being technically expert, the book says, rebels are often creatively intelligent at what they regard as their job. The snag is that they tend to see it as consisting solely of things they enjoy doing, which rarely include routine but necessary procedures such as paperwork. As a result, the rebel type hardly ever rise far up an established managerial hierarchy – which, given their typically still scantier patience with people problems, is no doubt just as well.

No such flaws are found in the second type, the *Believers*, who are probably the most numerous of the three, Since they can be relied on to work hard as well as skilfully even at tasks they dislike, no organisation could survive without them. They are essential not only to the everyday working operations, but also to the running of social activities which foster the company spirit. Moreover, being fair-minded and straightforward in their dealings with other people, they tend to make the best managers of the sort extolled by conventional management theory, at least.

Their weakness lies in being what the book describes as "the original corporate innocents" who, come what may, stand firm in the faith that diligent discharge of their duties is sure to earn its due reward. Hence believers are prone to blame simple injustice rather than any lack of wit on their part when, as is usually the case, they are passed over for promotion to the commanding heights.

The type mostly promoted in their stead are the *Competitors*, described as devotees of "the cult of winning". Unlike believers and rebels, they are quick to learn how the company system really works as opposed to the way the formal rules ordain, and then manipulate it to advance their own cause.

Whether or not they are acting in the true corporate interest is at best a secondary consideration because the urge to win the game personally tends to blind them to any further purpose it might have. As the book says, they "see their world as a conflict, with the strongest emerging as the most successful, and success as its own justification."

They have nonetheless at least as good a claim as either of the other types to indispensability. Their company would be unlikely to survive if it didn't have their political skill and ruthlessness to wring profitable deals out of the counterpart competitors heading suppliers and big customers, let alone to outsmart those running predatory rival concerns.

The trouble is that they also have ill effects. One of several examples which are cited in the book is that their deviousness about their manipulations of company systems is apt to vitiate productive change. "The only way to make meaningful change in a corporate culture is to be very specific about what that culture actually is and how it works. The problem is that the people who could write the explicit rules don't think it's in their best interest to do so."

Accordingly, since human societies have never yet found how to rid competitors of their Machiavellian habits, Bernstein thinks the only hope is for the other types to learn to match them at their own political game. That would enable more believers if not rebels to rise to the top, and moderate the typical present incumbents' harmful tendencies as well as widening their vision.

True, learning competitors' tricks is far from easy, he says. Winning ploys vary with outfit. Even so, there are enough wide-spread ones to supply the missing 10 commandments. The first is: *Watch the doings of successful colleagues*, especially to discover the things superior management values, which should be given priority over those that go un-recognised, however useful.

Of the rest, the next three are linked and fairly self-explanatory.

Face down fear of failure.

Ignore personal limitations – hard work usually compensates

Whatever it is, do it now.

A corollary is: *Be prepared to sacrifice family life.* One way to ease the strains of absence, the book says, is to be extra communicative when present.

Then come two items of purely personal sacrifice.

Abandon the need for praise. "Competitors don't believe in praise and especially don't see the need to praise other competitors.... They might, however, find other ways to show their approval."

Abandon self-importance. "You will have to accept teasing, defer to other people's opinions and, most of all, to listen when you feel like speaking."

Next comes: *Avoid martyrdom*, particularly by working harder to make up for incompetent bosses or colleagues.

Ninth is: *Ask for permission only when strictly necessary*, and finally:

Be decisive, which need not entail being prudently analytical beforehand. As one of the book's case-study characters observes: "I've learned that it's not so much what you decide. It's what you do *after* you decide that's important. That's what makes it into the right or wrong decision."

Michael Dixon

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▪ Please reply in confidence, including details of current remuneration, to Sarah Orwin quoting Reference SO 424, at Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

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Application forms and further particulars are obtainable from Mrs. L. Horsnell, Personnel Department, Cranfield Institute of Technology, Cranfield, Bedford MK43 0AL, UK, quoting the appropriate reference number. Tel. No. (0234) 750111 ext. 2337 (national), and (+44234) 750111 ext. 2337 (international).
Closing date for receipt of applications: 31st December 1992.

Cranfield School of Management

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In the first instance prospective candidates should write to: Box A625, Financial Times, One Southwark Bridge, London SE1 9HL enclosing a C.V.

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For immediate consideration, please send your resume with salary expectations to: GTECH Corporation, Department IHR, 2006 Nooseneck Hill Road, Coventry, Rhode Island 02816 USA, or fax to USA (401) 392-0251. Principals only. No phone calls please.

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Christiania Bank og Kreditkasse through its London Branch (CBLB), offers a wide range of commercial banking services. CBLB has a significant exposure towards certain niche industries, in particular towards the Shipping and Energy sectors. Following recent years expansion the Energy Dept. now wishes to recruit one:

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Please write enclosing full curriculum vitae to Mrs Bridget Collins, Personnel Department, Christiania Bank, London Branch, Lloyds Chambers, 1 Portsoken Street, LONDON E1 8RU, quoting reference E1119.

Closing date for receipt of applications will be
Monday, 14th December, 1992

ACCOUNTANCY COLUMN

Profession has a new and sympathetic friend

The minister for corporate affairs is happy for accountants to handle accountancy, says Andrew Jack

THE UNINSPIRING exterior of the Department of Trade and Industry offices in Victoria Street in London, may not much resemble the marbled façades of Britain's accountancy firms, but the differences rapidly start to fade inside.

By the time visitors reach the tenth floor, home of the minister for corporate affairs, the decor is beginning to resemble that in the offices of many accountancy firms' senior partners.

Discussion with the new minister rapidly dispenses with any remaining gap. The bright red bow-tie and the frequent grins may distinguish him from Mr John Redwood, his predecessor. But in Mr Neil Hamilton the accountancy profession has found a new and sympathetic friend.

A little more than seven months into his new job, Mr Hamilton is finding his feet with the issues vexing the accountancy profession, and little, he seems to believe, is in demand of much reform.

The MP for Tatton, Cheshire, has survived as a government whip job and after nine years in parliament has reached a significant ministerial position at a time of great change.

Until now Hamilton has been perhaps best known for allegations against him and Mr Gerald Howarth for their alleged right-wing extremism in the infamous 1984 BBC Panorama TV programme "Maggie's Militant Tendency". The BBC settled out of court, and the two men were awarded damages of £20,000 each plus costs.

His ideological reputation is certainly dry to the point of being Saharan. He apparently remains an unreconstructed 1980s Conservative, a defender of Mrs Margaret Thatcher to the last in the leadership challenge, and a resolute anti-Maastricht campaigner.

Mr Neil Hamilton

He has already given indications of his reluctance to see greater government involvement. Over the summer, for example, he rejected calls by Names on the Lloyd's insurance market for external regulation. Now he is at work on an anti-bureaucracy drive throughout Whitehall departments. His other responsibilities include insolvency, deregulation, competition policy and company law.

Hamilton evidently has many calls on his time beyond accountancy, and is unlikely to devote too much time to the subject during his period in office. But he is at last beginning to make public his views.

He chose a speech in London last week to the Henley College of Management to make some of his first remarks on accountancy, tucked away behind calls for new legislation to up-date the 1985 Companies Act. He expanded his thoughts in an interview with the Financial Times.

He strongly defends the work of the Accounting Standards Board, the Auditing Practices Board and the Financial Reporting Council. He cites the representation of users of accounts on the bodies, and the need for gradual progress to allow time for debate to settle the complex issues they involve. "I personally think the progress being made is impressive," he says. "The calibre of the individuals concerned is very high."

On the subject of the system of self-regulation of accountants by their own professional bodies, he sees little reason for change and dismisses the tension some have claimed between the institutes acting as both trade associations for their members and regulators in the public interest.

"There is no evidence to show there is any conflict between [the two roles]," he says. "There is a possibility of conflict. But the great merit of self-regulation is that it uses experts. If someone can come forward and produce an example of how a judgement has been perverted I'm prepared to consider whether it is inadequate."

"There are some voluble, colourful critics," he says in a reference to Mr Austin Mitchell, the Labour MP for Great Grimsby. "But most of the causes for complaint refer to the past rather than the present or the immediate future."

On the proposals for abolition of the mandatory audit requirement for small companies, Hamilton offers greater prospects for change. "We are consulting [on the subject] for the third time in six years," he says. "We keep it constantly under review. As deregulation minister, I am very keen that we should get rid of requirements which serve little purpose."

> **'I hate to think that because of Robert Maxwell other company directors are going to have disproportionate responsibilities'**

"We have to weigh the protection for shareholders and creditors against the costs of audit," he says. "For those companies with very small turnover, paying very large amounts serves very little purpose. The money would be far better spent on getting decent financial advice."

He stresses that abolition is not entirely within the remit of the DTI. It would have an impact on other departments such as the Inland Revenue. But he says: "I have to say we've heard all the arguments. Personally I am very keen. As the principal deregulatory department we are keen to ensure that costs are proportional to the benefits. For the smallest companies we do have some scope for some liberalisation. I hope we can move pretty quickly."

He appears highly sympathetic to accountants' concerns over the escalating costs of legal liability. He sees no need for any legislation to overturn the Caparo judgement in the House of Lords, which limited auditors' duty of care to the company and the shareholders collectively.

He says he has received no pressing case for its reform, and points to the fact that there are no such recommendations in the interim Cadbury report on the financial aspects of corporate governance.

"Caparo seemed reasonable to me," he says. "If auditors' liability is extended indefinitely, and they can insure only at prohibitive cost or not at all, the knock-on effects are very serious. It could threaten the viability of the auditing system."

He says it is too early yet to assess the lessons of Maxwell but cites, as proof of action when necessary, the DTI's recent endorsement of the Bingham report's conclusions on BCCI that auditors should be required to report fraud to regulators.

"I hate to think that because of one Robert Maxwell all other company directors are going to have to assume disproportionate responsibilities," he says. "We have to think how much of an inhibition on the wealth creating process is a system of regulation which imposes relatively high costs for relatively small benefits."

He could have said that – and probably did – when he first came to the Commons in 1983. Accountants worried about radical reforms facing their profession will certainly not find them coming from the current DTI.

FINANCIAL ACCOUNTANT

OIL INDUSTRY

We have been established in London for ten years, and provide a comprehensive service to the Libyan Oil and Petrochemical industry. In this capacity, we are engaged in recruitment and training activities, and operate one of the largest purchasing functions within the oil industry in the UK.

We are seeking to fill the newly created position of Financial Accountant. Reporting to the Group Financial Accountant, you will be concerned with certain financial activities pertaining to Jawaby, associated, and subsidiary organisations. Previous experience must include the production of statutory accounts as well as consolidation of group accounts. Applicants should be in their late 20s and have a recognised accounting qualification. You should be fully conversant with computerised accounting procedures. This position offers a real opportunity to consolidate upon your post qualification experience and provides scope for further career development.

Our comprehensive benefits package includes free life assurance, permanent health insurance, private health cover and bonus scheme. Please apply with full career details to: Helen Brockington, Personnel Department, Jawaby Oil Service, 15-17 Lodge Road, London NW8 7JA.

JAWABY OIL SERVICE

ACCOUNTANCY APPOINTMENTS

Financial Controller

London EC1 — c.£40,000+car

▪ Our client is the U.K. subsidiary of a major international Japanese light engineering company. Turnover in the U.K. is approximately £25 million p.a. and is continuing to grow very profitably, despite increasing competition in the market. The U.K. operation includes not only a number of sales offices but also a manufacturing site and distribution centre.

▪ This is a new position reporting to the head of finance in the U.K. Responsibility will be for the full accounting function, a small systems department and other broader areas of company administration. The role therefore combines the management of a small team of staff with an active, hands-on involvement with the day to day work.

▪ Candidates must be qualified accountants, aged at least 30, with a good track record in a similar sized manufacturing business, and with prior experience of process costing. Well developed management skills and computer literacy are essential, preferably combined with a breadth of experience beyond the finance area. Personal qualities must include maturity and flexibility, coupled with a commitment to make a contribution to the organisation's continuing success.

▪ Please reply in confidence, including details of current remuneration, to Sarah Orwin, quoting Reference SO 425, at Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

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EUROPEAN INTERNAL AUDIT TEAM

Our client, who operates internationally, is one of the world's largest businesses in its sector. Its wide range of well known consumer products continues to grow and develop successfully.

To further enhance its effectiveness and efficiency it seeks to strengthen its Internal Audit team.

These positions are not traditional Internal Audit roles as they have a strong emphasis towards operational and commercial efficiency.

Individuals will only be recruited [illegible] monstrate an ability to perform high quality audits and ad-hoc as[illegible] rtment and add value to the business. You will also [illegible] a [illegible] rizon to demanding line responsibilities.

To achieve the above yo[illegible] with [illegible] commercial skills, who can evidence:

- Credible, immedia[illegible] and [illegible] Se[illegible] sion. interpersonal skills [illegible] of the bottom line
- Sound judgement a[illegible] and proposed the minimum of super[illegible]

A second European language is [illegible] European travel. Any previous international experience and/or u[illegible] s but is not a prerequisite.

The team also requires a specialist Computer Auditor, who, in addition to the personal qualities listed above, will have a minimum of 3 years computer audit experience. Extensive knowledge of auditing data centres and computer applications within large, preferably international, groups is essential.

To discuss these outstanding career opportunities write to Karen Wilson BA ACMA at FMS, 5 Breams Buildings, Chancery Lane, London EC4A 1DY enclosing a recent CV and a note of current salary.

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The Chief Financial Officer will head up a small high profile team of senior finance professionals and report directly to the Chief Executive. Your role will involve the development of international operations focusing primarily on financial management and other key business initiatives which impact on the strategic direction of the Group.

Monitoring and developing the breadth of international operations across a sophisticated and diverse base is an important feature of the role that finance plays in the strategic direction of the business. The Corporation believes in strong financial management and fully promotes the involvement of finance across all operational functions.

Combining a high level of autonomy and responsibility, you will be expected to drive and spearhead a variety of projects with the close involvement and co-operation of senior management across all functions and facets of the business.

As a qualified accountant, aged around 40, you must possess a strong background in international financial management coupled to a clear involvement in broad based business development and control. In addition to this, you must be able to demonstrate a signficant prior involvement in achievements which have led to a successful impact on profit and growth.

A strong preference will be shown to those candidates who have worked in international organisations which are characterised and driven by a competitive and clearly focused sales and marketing approach in either a services or business to business environment.

Interested applicants should write to Charles Austin quoting reference CA420 enclosing a full curriculum vitae to the address below.

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Financial Controller

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Surrey

A growing manufacturing subsidiary of a quoted Plc, with a reputation for excellence wishes to appoint a commercially aware financial manager. Recently identified business opportunities should take the company's annual turnover to £15m and substantially increase profits by 1996. The company has focused its manufacturing strategy to meet customer needs by working to continuous improvement, JIT and total quality principles.

As a member of the senior management team reporting to the Chief Executive, you will be responsible for the efficient operation of the finance function including financial control, the enhancement of financial information and education, and a range of administrative functions.

You will be qualified, a graduate in your thirties and possess broad experience of similar sized operations in the manufacturing sector.

Remuneration will include a basic salary c. £27,500 + performance related bonus and company car.

Interested candidates should write to Robin Rotherham enclosing curriculum vitae to the address below.

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We are now looking for an accountant to take control of Northern European finance operations at our prestigious new European H.Q.. This position will be responsible for U.S. and U.K. reporting, managing staff in the U.K., and all accounting information, controls and systems development in the Region. The company's Northern European management structure includes Scandinavia and the Netherlands, and some travel will therefore be involved.

This demanding role is an excellent opportunity for an energetic qualified ACMA/ACA with strong analytical and communication skills to gain invaluable management experience and make a significant hands-on contribution within this successful and fast-growing company.

Please apply in writing to: Mr Keith Heal at SDRC, Milford House, Priory End, Hitchin, Herts SG4 9AL. Tel: (0462) 440222. Fax: (0462) 440522.

BBC BBC BBC

Finance Manager

BBC Children in Need Appeal

The BBC Children in Need Appeal is a registered charity which distributes over £20 million annually to organisations caring for children in need. Administration costs are taken from the interest earned on donated funds.

Reporting to the National Co-ordinator, the Finance Manager will control all financial aspects of the charity and its trading subsidiary. Candidates should be qualified accountants with at least five years' post qualification experience, two years' of which should have been gained in a managerial role, contributing to senior management decision making.

Sound experience of computerised accounting systems and knowledge of charity accounting and of VAT and tax would be an advantage. The ability to operate independently without close supervision, whilst being a good team player, will be key to success in this role.

Salary c£30,000 p.a. Based West London.

Please send full personal and career details in confidence to (quote ref. 11304/F) Andrea Bolton, BBC, Room 3218, White City, London W12 7TS to arrive by December 10th.

WORKING FOR EQUALITY OF OPPORTUNITY

The Watson, Farley & Williams Chair of Finance Law

The University invites applications for appointment to the newly created Watson, Farley & Williams Chair in Finance Law, in the Faculty of Law. The University is seeking to attract, as candidates, persons with academic interest in any one of a broad range of legal subjects which have impact on the Banking and Financial world and the interface between Banking and Finance, and Commerce and Industry.

For further particulars of this important new post telephone (0272) 256450 (ansaphone after 5.00pm) or write to the Personnel Office (EO), University of Bristol, Senate House, Bristol BS8 1TH, quoting reference B63 or Fax (0272) 259473.

Applications to be returned by 15th January 1993.

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Celebrating its tenth anniversary this year, Kingfisher has achieved its success by developing a strong understanding of market demands and an ability to respond promptly to changing conditions in every aspect of its business. Commitment to maintain and enhance operational effectiveness has resulted in the decision to create a Group Audit function. Critical to the development of this unit is the need to appoint two outstanding individuals.

Commercial Audit Manager

You will spearhead the overall strategy, approach and introduction of an Audit function to carry out independent reviews group wide. You will develop effective relationships with senior management throughout the group and contribute to improving controls and operational efficiency. You will be an accountant who can demonstrate a record of achievement in managing an audit function which has instigated change and added value. Quote Ref MH421.

Computer Audit Manager

You will set up a function responsible for monitoring and influencing all new, developing and existing systems from a computer audit perspective. You will conduct independent reviews group wide to ensure compliance with agreed policies and procedures and initiate change to improve operational effectiveness and profitability. You will be an accountant with a minimum of three years experience working with sophisticated computer audit techniques as well as having excellent systems skills and analytical ability. Quote Ref MH422.

Both of these roles offer the opportunity to work in a progressive, creative environment requiring commitment, dedication and the ability to perform in a challenging and highly motivated team operation. These roles are an excellent entry point into a highly successful and profitable UK group for talented individuals who can demonstrate outstanding personal attributes.

Interested candidates should write to Michael Herst or Charles Austin quoting the appropriate reference.

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Head Office Controller

c£32,000

mid/late 20s - Berkshire

This Division of a major UK plc has a turnover in excess of £100 million derived from a network of service operations which extend across Western Europe and throughout the UK.

As a result of re-organisation it is intended to appoint a Head Office Controller who will be responsible for co-ordinating the preparation and reporting of management and statutory financial information; consolidation of plans, budgets and monthly results; ad hoc reporting and financial modelling; and financial management of the head office cost centres. There is also a significant role to play in developing the next generation of reporting systems.

Applicants should be graduate chartered accountants with 2-3 years' post-qualification experience who are seeking a move to a progressive group which can provide challenging and varied career prospects.

Confidence, self-motivation, good inter-personal and communication skills, and very high standards of numeracy and computer literacy are the personal requirements.

Please apply in confidence quoting Ref L526 to:

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Finance Director

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THE ROLE

- Responsible to the Managing Director for the full spectrum of financial and systems management. Applying strong commercial disciplines to enhance performance in all parts of the business. Gaining a real control of costs.
- Driving the development of central and remote finance teams; improving performance through leadership and training. Spearheading the introduction of 'state of the art' manufacturing control systems to improve product profitability.
- Strong contribution to commercial and manufacturing strategy. Working closely with European and US finance officers to co-ordinate reporting and control. Potential for additional roles.

THE QUALIFICATIONS

- 30 plus, ACMA/ACA with blue chip experience of advanced manufacturing and financial controls. Technically excellent with well-developed team building skills. Exposure to health care and US reporting desirable.
- First-class record of introducing and managing effective financial controls in a complex environment. Fully conversant with modern manufacturing planning systems and record of achieving successful implementation and integration.
- Energetic, ambitious professional with appetite for a challenge. Firm, persuasive and relentless in striving for success. Personable team player.

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THE POSITION

- Employee of the London merchant bank. Secondment to the South African institution for an initial two year period.
- Part of small-professional team. Responsible for managing client relationships, originating and transacting deals.
- Bring highest standards of professionalism and technical expertise at critical stage of growth.

QUALIFICATIONS

- Aged between 30 and 35, a graduate, preferably with legal or accountancy training gained in South Africa. German and Afrikaans fluency helpful.
- South African background ideal, with at least five year's Corporate Finance or M&A experience gained in a prime US or UK merchant/investment banking environment outside South Africa.
- First class interpersonal and communication skills, commercialism and entrepreneurial flair are essential.

Please write, enclosing full cv, Ref L4585
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It is a stance which demands much of our people. As a Senior Corporate Finance Manager, operating from our Cambridge office, we'll expect you to be a Chartered Accountant of exceptional ability. With at least five years' post-qualification experience, you'll need a thorough knowledge of the sourcing of venture and development capital. An impressive awareness of the local market would be more than advantageous. As a professional capable of understanding a broad commercial picture, you must demonstrate a sensitive appreciation of each client's business.

In the years to come we will continue to set new standards and create new modes of thinking within the profession. To make us part of your future, write with full career and salary details to Mel Smaje, Director of Human Resources, Robson Rhodes, 186 City Road, London EC1V 2NU.

ROBSON RHODES
Chartered Accountants

FINANCIAL CONTROLLER

Our Client, a major group in the service sector, with assets of £800 million, is currently undergoing substantial redirection and development. The environment is demanding and the emphasis is on the achievement of results.

Reporting directly to the Financial Director, this newly-created position requires a proactive individual to oversee a large team of high calibre staff, with the principle responsibilities being-

- Total control of the Financial Accounting function, including the management of the treasury accounting and taxation functions.
- Implementation and development of comprehensive information systems.
- Provision of completely secure, accurate, high - volume transaction records and production of financial reports to strict deadlines.

For this important position, the ideal candidate will be a graduate Chartered Accountant aged 35-50, with recent service sector experience, who seeks a new challenge within a fast-moving and dynamic environment. Evidence of a hands-on approach, leadership skills, ability to motivate and manage staff, and most importantly, the commitment to making a real contribution to sustain the company's continued position within its field, is essential.

If you feel you can meet this challenge, and you live in or around the Midlands then please apply directly to Helen Richards at Robert Half, Freepost BM2460, 63 Temple Row, Birmingham B2 4BR. Telephone: 021-643 1663. Alternatively, fax your details on 021-643 6170.

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Supervising a small accounts department.
Reporting to Board.

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As one of the UK's most proactive and innovative Treasury Departments, our client is currently aiming to recruit two outstanding accountants to enhance its financial accounting team.

SENIOR FINANCIAL ACCOUNTANT

Reporting to the Head of Financial Accounting, you will have responsibility for the management and development of a team of ten people. Your team will be in charge of producing and analysing monthly and statutory accounts. You will also have involvement in ad hoc project work including the implementation of systems. An extensive technical and "hands-on" knowledge of the following products will be essential: Asset Swaps, Mortgage Backed Securities, Complicated Bond Issues, Off- Balance sheet instruments and Foreign Exchange. You will be expected to make a contribution towards the accounting policies of any new instruments the department may begin to trade.

The ideal applicants should be:

- Fast-track qualified ACAs with first time passes and 3-4 years post-qualification experience in a similar environment
- A line manager in a treasury operation, with excellent technical and analytical skills, and *man-management experience*
- Able to work under pressure, with speed and efficiency
- A strong communicator
- Self-sufficient in nature, requiring minimal supervision.

FINANCIAL ACCOUNTANT

You will be responsible for managing and developing a team of four people, and will be in charge of producing the accounts for the following trading books - Sterling, Dollar and ECU. An integral part of the role will be assisting in project groups responsible for the implementation of new systems and accounting policies.

The ideal applicants should be:

- Qualified ACAs, with first time passes having qualified 1-2 years previously, in a similar environment or in the financial services division of one the the 'Big Six'
- *Experienced in accounting for treasury/capital markets products*
- Able to display well developed analytical and interpersonal skills
- Self-motivated, flexible and an enthusiastic team player
- Proficient with spreadsheets and various computer systems

The renumeration for these appointments will be highly competitive, and candidates whose backgrounds and abilities match these challenging roles should contact **Annabella Humphreys** on 071-379 3333 (Fax 071-915 8714) or write to her at **Robert Walters Associates, 25 Bedford Street, London WC2E 9HP.**

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Reporting to the Head of Investment, this is a challenging role managing a department of 13 people covering investment, admin and cash management divisions. With scope for initiative and development, the main responsibilities include performance monitoring, design and implementation of management information and reports, business analysis and ad hoc projects.

Applicants will be qualified Accountants with experience of an investment or fund management environment. First class leadership and interpersonal skills are essential, as is a high level of motivation and commitment. A good knowledge of computers and spreadsheets is also important.

Interested applicants should send or fax a CV together with salary details to the address below. If you would like further information please phone 071 721 7283 or, during the evenings and weekends, 071 231 8272.

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We are representing a progressive, profitable and well managed "top 20" firm of Chartered Accountants, who are successfully weathering the recession. Published 1991-1992 results have been impressive and the trend is continuing in the current financial year.

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The firm believes in providing autonomy, support and commitment within the positive framework of a partnership, and partners are encouraged to be pro-active, entrepreneurial, innovative and marketing orientated. Strong management has resulted in a highly successful, positive and productive atmosphere.

Suitable individuals will be corporate tax partners, aged in their 30's, from a "big 6" or "top 20" firm, and earning in excess of £70,000. They must wish to maintain high standards of client service within a perhaps more personalised environment, and should have a natural affinity for man management and motivation. Financial sector expertise would be of particular interest.

Enquiries will be handled in total confidence.

FINANCIAL CONTROLLER

London **To £37,000**

This quasi-public sector organisation, part of the national heritage, seeks a chartered accountant to bring commercial skills to its finance department. Whilst this is a publicly accountable body, funded primarily by the government, it is extending its commercial activities and seeking to win more private sponsorship through active marketing initiatives. This organisation now represents a medium sized business with an income of £28m, a high public profile and a commercial outlook.

The organisation seeks a financial controller to take responsibility for all day to day acounting matters and to manage a team of 11 staff. The job is complex due to the varied sources of funding and the degree of accountability required. There are around 100 different projects running at any one time, all requiring financial control. It requires someone with an eye for detail and the ability to handle many tasks at once. An early exercise will be the review of *the existing departmental structure and the development of management systems and* information. A new computer system is planned for implementation in 1993.

Candidates must be computer literate graduates with at least ten years post-qualification experience, probably in the private sector. Good staff management skills are essential and applicants must have the presence and credibility to deal with a wide range of people, including public figures and senior government officials.

If this opportunity interests you, please send a comprehensive curriculum vitae, quoting reference 3277 to Vivienne Hines, Touche Ross Executive Selection, at the address below.

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You will be a recently qualified Chartered Accountant, ideally with a 'Big 6' training, coupled with a strong academic and professional track record. Your experience will include exposure to the investment management business, including knowledge of front/back office procedures, and the compliance issues affecting such an environment.

For further information and a confidential discussion contact **Lucy Ayrton on 071-387 5400** (out of hours 071-727 3564) or write to **Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.**

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Write enclosing CV to Jane Cody , White Light (Electrics) Ltd, 57 Filmer Road, London SW6 7JF. Please mark Private and Confidential.

dash

Finance Director

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Candidates should be qualified accountants with a strong track record of success to date, gained in a retail environment. Excellent communication skills, high levels of drive and well developed leadership qualities will be essential.

Interested applicants should forward a comprehensive CV, indicating salary aspirations and quoting **Ref: 2666**, to
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Group Finance Manager

Willett

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This position will carry primary responsibility for controlling the Group's international financial affairs, driving asset management programmes and initiating actions to optimise resource utilisation. Key areas of involvement will include global cash and currency management, maintenance of relationships with banks and financial service providers and providing financial leadership to all Group and operating company management.

The successful candidate will be a qualified accountant, aged up to 45, who can demonstrate extensive financial management experience in a complex international environment, with particular emphasis on cash and working capital control. The *company's aggressive* development plans ensure that future career prospects for an outstanding individual will be excellent.

Interested applicants should forward a comprehensive curriculum vitae, quoting **Ref: 2665**, to
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Opec ministers struggle to find output compromise

By Deborah Hargreaves in Vienna

MINISTERS FROM the Organisation of Petroleum Exporting Countries were striving late yesterday to patch together a compromise of their widely disparate views on a production ceiling for the first quarter of next year.

Talks were continuing in the evening but positions were hardening as several key players demurred over cutting their levels of oil output.

The organisation is aware of the need to give a clear signal to the oil market that it can reintroduce production discipline.

Any agreement that falls short of sharing out specific production allocations among individual members is likely to disappoint the market and could further depress prices.

The price of North Sea Brent crude for January delivery slipped a further 35 cents yesterday to $18.77½ a barrel.

Opec ministers are having problems getting their sums to add up when the largest producers, Saudi Arabia and Iran, are not prepared to trim their own output from current levels. Iran insists on retaining 3.8m b/d as its production level although many delegates believe its output has been closer to 3.6m b/d. A Gulf official said Iran was "confused" about what it wanted from the meeting. At the same time, Saudi Arabia is unwilling to produce less than 8.4m b/d.

Overall production ceilings still under discussion range from 24.5m to 25m barrels a day, with a consensus building around 24.8m b/d. Output in October was estimated by Opec economists to have been 25.04m b/d in spite of agreement on a much lower ceiling in September.

While Saudi Arabia and Iran are finding it hard to agree on a compromise, smaller producers have also approached the meeting in a spirit of defiance. "Poorer countries are questioning why they should make sacrifices for the benefit of the rich ones," one delegate said. For this reason, Nigeria and Gabon are pushing for higher output allocations.

Mr Ali Ahmad al-Baghli, Kuwait's oil minister also said the emirate wanted a production level of 1.75m b/d for the first quarter, on which it is not prepared to compromise. This is in line with the emirate's goal of reaching 1.5m b/d by the end of this year as it rebuilds production after the Gulf War.

Smaller producers are also carping about the level of fees they pay to the organisation, which are the same as those paid by the larger, richer countries. The debate over membership dues has been brought to a head by Ecuador's request to leave the producers' club. However, ministers have also signalled that they are discussing approaches made by Russia and Kazakhstan to join the organisation.

The disaffection felt within the group is likely to prevent a unanimous outcome with the sort of deal that could push up prices. Far more likely is a vague compromise that could hold off a price fall until next year, when ministers hope that an increase in demand because of colder weather could save them from any hard decisions.

Return of CIS buyers sparks tea price rally

By David Blackwell

LONDON TEA prices have hit the highest levels for nearly three years on a combination of increased demand from the former Soviet Union and falling world production because of droughts in India, Africa and Sri Lanka. The devaluation of sterling in September has added to the recent rise.

Brokers are "cautiously optimistic" that the recovery will not collapse as it did in May. "London prices are very rewarding for producers at the moment," said one broker this week. The all-tea average this week reached 138.66p a kilogram.

The former Soviet Union's imports of tea hit an estimated record 231,000 kg in 1990, according to the International Tea Committee, before falling back to 161,000 kg last year.

But the break-up of the Soviet Union last year resulted in an almost complete retreat from the world tea market.

Now that there is no longer any significant centralised trade, it is difficult to estimate how much tea is being bought by the independent republics but there is no doubt that since September interest from the former Soviet republics has re-emerged world wide.

Their interest is very much at the low quality end of the market. "They used to buy a lot of top quality tea," said one dealer. "But now they want value for money."

The renewed offtake comes as the world crop is suffering its worst ever production shortfall – estimated at about 110m kg at the end of September. Poor growing conditions in Sri Lanka and southern India alone are estimated to account for almost 80m kg of the shortfall. Production in the major exporting countries last year totalled about 1.4bn kg.

The fall is reflected in the volumes sold at the London tea auction, which so far this year have reached only 506,439 packages (53.5 kg each), compared with 618,634 packages at the same stage of 1991.

At the same time consumer stocks are thought to be very low in the UK, partly as a consequence of high interest rates over the past year. According to one broker, stocks in the UK – which is likely this year to regain from the former Soviet Union its position as the world's biggest consumer at about 150m kg – are 15 per cent down from 1991 at 30.7m kg.

● India's Tea exporters have been urged to seek new markets, rather than place too much reliance on rebuilding sales to the former Soviet Union, writes Kunal Bose in Calcutta.

The Indian Tea Association believes it could maintain its shipments to the Commonwealth of Independent States, provided there was sufficient government support. But the finance ministry does not agree.

The Soviet Union used to import about 230m kg of tea a year, of which India had a share of more than 100m kg, about half its total exports. But both figures fell sharply last year.

Mr Manmohan Singh, the finance minister, has warned the association that it will be a long time before the former Soviet economies recover and that tea exporters should look for alternative markets. But Mr H.P. Barooah, chairman of the ITA, fears that if India does not stick it out in the Commonwealth of Independent States other exporting countries will capture the market.

According to Mr Singh, a domestic market of more than 500m kg a year should have given the Indian industry confidence to explore the more competitive markets, like Europe, the US, West Asia and north Africa. "Instead, the industry chose the easy path of exporting a disproportionate amount to the former Soviet Union," he said. Last year, India could export only 22.6m kg of tea to the UK and 2.6m kg to the US.

The minister regrets that while world trade in tea has increased to 1,100m kg from 400m kg in the 1950s, India's share has fallen to 20 per cent from 44 per cent, with exports has been stagnating at about 200m kg.

Declining milk production lifts powder and cheese prices

By Frances Williams in Geneva

DECLINING WORLD milk production has pushed up prices of milk powder and cheese over the past two years, but butter prices remain depressed by falling consumption and the high level of stocks, according to the General Agreement on Tariffs and Trade.

In its annual report on world dairy markets, published today, Gatt says world milk production fell 2.1 per cent in 1991 and is expected to fall another 1-2 per cent in 1992.

This reflects efforts by the European Community and other western European countries to contain milk deliveries and the "virtual collapse" of the commercial market in Russia and eastern and central Europe.

The result has been a firming of milk powder prices from mid-1991 and a rapid reduction in stocks of skimmed milk powder this year.

World cheese trade remains buoyant, fuelled by a steady increase in demand. World market prices rose by an annual 13-16 per cent in 1991 and 1992, Gatt estimates.

However, world butter production shrank by 4.2 per cent in 1991 and is expected to drop by a further 2.5 per cent in 1992. Despite this, prices remain depressed at, or only slightly above, agreed minimum prices in 1991 and 1992. Consumption continues to slow, partly because of the trend to lower-fat diets in the West, and stocks remain relatively high.

Gatt points out that commercial sales of butter in international markets have been very limited in the past couple of years, mainly because the former Soviet Union, the world's biggest butter importer, can no longer afford to buy at market prices.

Russia also took less than 60 per cent of authorised sales of cheap butter in 1991 and in 1992 bought only a small quantity of butter, almost all of it under a US credit guarantee programme.

Commenting on dairy policies, Gatt says there is now "an almost universal trend towards increased liberalisation and less governmental interference", which has seen a reduction of subsidies and price supports to curb costly surpluses.

In many industrialised countries the numbers of dairy farms and cows are declining, though this is being partially offset by rising production in the third world.

India is now the third largest producer, after the EC and the US, and China could well become the world's second largest developing country producer by the beginning of the next century.

The World Market for Dairy Products 1992. From Gatt, Centre William-Rappard, rue de Lausanne 154, 1211 Geneva 21. Price SFr25.

Coffee delegates show little urgency

By David Blackwell

TALKS ON a new international coffee pact have got off to a slow start this week, revealing that there is little urgency to meet the deadline of the end of this year for agreement.

Yesterday delegates to the International Coffee Organisation in London were discussing for the first time the issue of selectivity – basically, allowing consumers to choose what sort of coffee should be allowed on to the market. In the past rigid export quotas were set for robusta and arabica coffees, leading to imbalances between supply and demand.

Although the talks are not due to end until next Wednesday, delegates already appear resigned to extending the December 31 deadline.

Mr Myles Frechette, delegate for the US, the biggest consumer, has insisted that his country's negotiating position has not changed following the election of the new President. The coffee agreement would be way down the list of priorities for the new Clinton administration, he said. Mr Frechette also believes the US will remain committed to getting a coffee agreement – a key element in the war against drug Colombian drug barons.

Producers appear to have heeded a call earlier this month from Mr Alexandre Beltrao, chief executive of the ICO, for greater co-operation among exporting countries in order to make any future pact successful. African exporters agreed at a meeting of their own last week to recommend that producers should take the major responsibility for stopping illegal exports. They had previously argued that consumers should bear an equal responsibility.

The exporting countries are certainly anxious not to rock the boat during these talks even if agreement is delayed. Coffee prices have recently touched nine-month highs, but the markets are likely to retreat again on any signs of disagreement at the ICO.

Developers resist PNG plan to boost gold mine stake

By Kevin Brown in Sydney

THE AUSTRALIAN and Canadian joint venture partners in the Porgera gold mine in Papua New Guinea yesterday said they would resist government plans to acquire an extra 20 per cent of the project.

The government owns 10 per cent of Porgera under a 1979 agreement with Renison Goldfields, Highlands Gold, a PNG-registered subsidiary of MIM Holdings, and Placer Pacific, a 76 per cent subsidiary of Placer Dome of Canada. Mr Paias Wingti, the Prime Minister, said he expected an amicable settlement with the Porgera partners. "PNG has always been a reasonable negotiator and partner in all its resource projects, and will continue to [be] so," he said.

However, the proposal follows government claims that PNG officials have been misled by the joint venture partners about the profitability of the project, which is one of the world's largest gold mines.

Mr Masket Iangalio, the mining minister, has said that PNG restricted its holding to 10 per cent because the joint venture partners convinced the then government that the mine would be a marginal project.

Porgera began production in September 1990. It is expected to produce about 900,000 ounces of gold a year until 1996, but is likely to produce 1.4m ounces in the current year.

Mr Lawrie Reinertson, managing director of Placer Pacific, said the joint venture partners viewed the government's proposal with "considerable concern". He said it was "clearly contrary" to the 1979 agreement, which put a 10 per cent ceiling on the government stake. Mr Reinertson said the partners rejected suggestions that they had misled the government on the size of reserves and potential production when the Porgera agreement was negotiated.

"This is simply not true. As the project moved ahead, a number of factors combined to contribute to Porgera's better-than-projected performance. The PNG government was kept closely informed at every step along the way of the progress being made," he said.

The joint venture partners say that 60 per cent of profits from Porgera are distributed in PNG through the government's equity interest, taxes and royalties. Mr Campbell Anderson, Renison Goldfields chief executive, said he was "disappointed" by the government's plans. "We will meet with the government of PNG to put our response and why we don't think any change in the equity is appropriate," he said.

The Porgera dispute reflects the increasingly tough approach being taken by the government in its dealings with overseas mining companies, some of which say privately that they are deeply concerned by events in PNG. Much of the criticism has emanated from Mr Iangalio, who yesterday delivered a scathing attack in parliament on CRA, the Australian mining group, over its involvement in a dispute at Mount Kare, not far from Porgera. Mr Iangalio said he had been advised that CRA's conduct of the dispute might be in breach of the Australian Trade Practices Act, which regulates competition. He said he would ask the corporate authorities in Australia to investigate the company.

Mr Iangalio also praised the Perth-based mining companies Ramsgate Resources and Menzies Gold, which have angered CRA by funding legal action against the group by a faction of Mount Kare landowners.

CRA has offered to hand over its 51 per cent of the Mt Kare alluvial mine to the landowners, but wants to retain the rights to explore for hard-rock gold deposits in the area.

Mr Iangalio claimed CRA had distributed false statements by landowners, which included forged signatures. "There is strong evidence that CRA has been engaging in deceptive and misleading conduct," he told parliament. CRA denied any involvement in the allegedly forged statements, and dismissed Mr Iangalio's claims as "without foundation".

Jute output continues to shrink

By Kunal Bose in Calcutta

ALL JUTE producing countries except for China will be harvesting smaller crops in the current season.

In India, the biggest producer, production is forecast to decline to 1.17m tonnes from 1.62m tonnes in 1991-92, according to Mr R.N. De, the country's jute commissioner. Bangladesh, which falls within the same climatic zone as eastern India is expected to have a crop of 828,000 tonnes, down from 949,000 tonnes last season. The Thai and Nepalese crops of kenaf (a jute-like hard fibre) are expected to be marginally lower at 161,000 tonnes and 11,000 tonnes respectively. But Chinese production of raw jute is forecast to rise 7,000 tonnes to 520,000 tonnes.

The Dhaka-based International Jute Organisation, which has made these production estimates, thinks falling prices of raw jute are primarily responsible for the setback in output. Jute farmers outside China have reduced the land under jute this season: in India from 2.55m to 2m acres (800,000 hectares); in Bangladesh from 1.45m to 1.24m acres. Thailand's kenaf area has declined to 303,000 acres from 345,000, while Nepal's has fallen from 38,300 acres to 23,500. China's jute area has remained at 741,000 acres.

According to Mr De, the shrinking world trade in raw jute has hit the jute economy badly. World trade in the fibre declined from 459,700 tonnes in 1989-90 to 350,500 tonnes in 1990-91 and 327,600 tonnes in 1991-92.

WORLD COMMODITIES PRICES

MARKET REPORT

A CHANGE of sentiment brought a general rise in base metals prices on the London Metal Exchange yesterday. ALUMINIUM moved back to the highs, reacting to confirmation, after early doubts, that the giant Tajikistan aluminium smelter was all but closed. The cash price closed at $1,199 as tonne, up $17.50 on the day. ZINC lost some of its early gains after Germany's Metallgesellschaft denied it had production problems, but cash metal closed $9 higher at $1,082 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$16.70-6.75u	-.325
Brent Blend (dated)	$18.90-8.95	-0.35
Brent Blend (Jan)	$18.75-8.80	-0.35
W T I (1 pm est)	Unq	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$206-207	-0.5
Gas Oil	$179-180	-2
Heavy Fuel Oil	$87-88	-1
Naphtha	$177-178	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$334.70	+0.85
Silver (per troy oz)♣	376.50	
Platinum (per troy oz)	$356.25	+0.5
Palladium (per troy oz)	$94.15	+0.55
Copper (US Producer)	100.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.14r	+0.12
Tin (New York)	261.5	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	112.78p	-1.00*
Sheep (live weight)†♣	73.94p	+0.86*
Pigs (live weight)†	87.68p	-3.35*
London daily sugar (raw)	$218.6w	+1
London daily sugar (white)	$252.0w	+0.8
Tate and Lyle export price	£253.0	+1
Barley (English feed)	£141.0z	+1.5
Maize (US No 3 yellow)	£155.0	+9
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	63.00p	
Rubber (Feb)♥	63.25p	
Rubber (KL RSS No 1 Dec)	223.0m	
Coconut oil (Philippines)§	$490.0y	+5
Palm Oil (Malaysian)§	$412.5	+2.5
Copra (Philippines)§	$320.0	
Soyabeans (US)	£171.0u	-1
Cotton "A" index	53.00c	
Wooltops (64s Super)	427p	+5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg.t-Dec y-Jan/Feb u-Jan. w-Dec/Jan z-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,878 lots
Cash	1189.5-90.5	1181-2		1198.5-9.5		
3 months	1210.5-1	1203.5-4	1222/1207	1219-9.5	1220-1	164,447 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,793 lots
Cash	1418-9	1406-7	1419	1419-20		
3 months	1443-4	1431-1.5	1447/1443	1444-4.5	1447-8	158,200 lots
Lead (£ per tonne)						Total daily turnover 2,511 lots
Cash	306-7	305-6		305.5-7.5		
3 months	318.5-9	316.5-6	323/318	318-8.5	318-9	24,605 lots
Nickel ($ per tonne)						Total daily turnover 6,815 lots
Cash	5625-30	5610-20	5640/5625	5700-10		
3 months	5700-10	5695-6	5810/5710	5775-85	5815-20	39,309 lots
Tin ($ per tonne)						Total daily turnover 3,404 lots
Cash	5715-25	5660-5		5730-40		
3 months	5770-80	5738-40	5810/5770	5785-90	5785-90	10,367 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 18,011 lots
Cash	1091-2	1072-4	1091	1081-3		
3 months	1108-7	1089-90	1114/1097	1097-8	1098-9	74,891 lots

LME Closing £/$ rate: SPOT: 1.5220 3 months: 1.5097 6 months: 1.5010 9 months: 1.4940

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	187.00	187.00	185.00
Mar	190.00	190.00	185.40 185.00
May	192.00	192.00	190.00
White	**Close**	**Previous**	**High/Low**
Mar	252.00	251.90	252.50 252.00
May	255.60	255.70	255.70
Oct	250.30	249.80	250.00

Turnover: Raw 49 (51) lots of 50 tonnes. White 93 (710) Paris- White (FFr per tonne): Mar 1386.86 May 1417.79

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jan	18.75	19.18	19.24 18.73
Feb	18.69	19.10	19.15 18.69
Mar	18.67	19.03	19.05 18.71
Apr	18.64	18.98	18.81 18.70
May	18.58	18.93	18.71 18.66
Jun	18.72	18.89	18.65
IPE Index	19.15	19.09	19.15

Turnover 16562 (24068)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	174.50	177.00	178.50 174.00
Jan	176.50	179.00	180.25 176.00
Feb	177.75	180.00	181.00 176.75
Mar	175.75	178.50	179.75 175.50
Apr	172.00	175.00	177.00 172.00
May	169.00	173.00	173.75 168.50
Jun	168.00	171.75	170.50 167.50

Turnover 13948 (12501) lots of 100 tonnes

FRUIT & VEGETABLES
Citrus fruit, such as clementines at 40-50p a lb (40-50p) and oranges at 20-25p each (20-25p) are good fruit buys this week reports the FFVIB. Cranberries at £1.48-1.55 per 12oz bag (£1.65-1.75) are in season ready for Christmas. Broccoli from Spain is a superb vegetable buy at 35-45p per 8oz pre-pack (40-50p), together with cauliflower at 50-60p each (40-50p) and carrots at 15-20p a lb (15-20p). Green peppers are priced at 70-90p a lb (£1.00-1.20), with red and yellow peppers at £1.00-1.20 (£1.00-1.20) and round lettuce at 25-35p each (25-35p) round off this week's best salad buys.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	711	711	712 705
Mar	737	730	737 730
May	758	748	751 747
Jul	768	763	766 761
Sep	780	777	781 776
Dec	802	798	799 798
Mar	821	820	823 820

Turnover: 3913 (7282) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 25 777.89 (778.43) 10 day average for Nov 26 785.61 (785.40)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	917	913	922
Jan	950	944	[illegible]
Mar	969	963	972 965
May	963	958	966 961
Jul	973	967	975
Sep	986	983	990 985

Turnover:1018 (1637) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 25. Comp. daily 57.94 (58.10) 15 day average 57.46 (57.40)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	60.7	60.5	60.9 60.2
Apr	96.0		20.0

Turnover 49 (84) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	-	140.80	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1305		1305 1300
Dec	1276	1295	1290 1275
Jan	1255	1285	1275 1255
Apr	1260	1285	1265 1260
BFI	1311	1303	1311

Turnover 293 (224)

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	108.0		105.5
Feb	104.5	104.5	104.0
Apr	105.5	105.5	105.0
May	105.5	105.5	105.0

Turnover:11 (18) lots of 3,250 kg

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	137.20	136.90	137.20 136.80
Mar	139.40	139.20	139.50 139.05
May	141.85	141.75	142.10 141.85
Jun	143.00	142.75	143.00
Sep	109.00	108.75	109.00 109.00
Nov	111.75	111.50	111.75
Barley	**Close**	**Previous**	**High/Low**
Jan	135.90	135.70	136.00 135.90
Mar	138.40	138.10	138.40 138.20
Nov	111.75	111.50	111.75

Turnover: Wheat 212 (371), Barley 42 (313). Turnover lots of 100 Tonnes.

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	334.60-334.90	
Opening	334.55-334.85	
Morning fix	334.85	219.515
Afternoon fix	334.70	219.836
Day's high	334.70-334.90	
Day's low	334.20-334.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.41	6 months	2.06
2 months	1.72	12 months	2.45
3 months	1.89		

Silver fix	p/troy oz	US cts equiv
Spot	247.20	376.25
3 months	251.60	379.85
6 months	255.50	383.35
12 months	263.15	391.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	334.00-337.00	219.00-221.00
Maple leaf	344.70-346.95	-
New Sovereign	78.50-81.50	51.00-53.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1150	55	84	5	9
1175	40	66	10	18
1200	30	50	19	24
Copper (Grade A)	**Calls**		**Puts**	
2100	65	108	8	17
2150	40	74	22	32
2200	24	47	46	56
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
900	57	90	7	21
950	25	60	25	41
1000	9	39	59	70
Cocoa	**Mar**	**May**	**Mar**	**May**
725	44	66	32	38
750	33	53	46	50
775	25	44	63	66
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1950	19			
2000	10	20		
2050	7			

INDICES

REUTERS (Base:September 18 1931 = 100)

Nov.26	Nov.25	mnth ago	yr ago
1654.1	1645.7	1646.4	1641.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.25	Nov.24	mnth ago	yr ago
Spot	119.56	119.18	113.21	115.46
Futures	118.88	118.59	116.40	122.77

Barbadian collapse deepens shadow over Caribbean sugar

The region, faced with high costs and low productivity, relies on guaranteed market access, writes Canute James

THE COLLAPSE of Barbados' sugar industry late last month is the latest indication of the sometimes terminal difficulties which beset Caribbean producers. The region is faced with high production costs and often low productivity, and is unable to survive without guaranteed access to markets such as the European Community and the US, and which pay higher than prevailing world market prices.

The problems caused by inefficiency and indebtedness are exacerbated by what many producers see as a threat to current preferential market arrangements. Many are worried by the recent reduction in US import quotas, and are uncertain how they will fare if the North American Free Trade Agreement is implemented and Mexican production becomes a market factor.

In the case of Barbados, the island has been unable to produce enough even to meet its quota obligations to these guaranteed markets. Efforts are under way to jump-start the industry after the state-owned Barbados National Bank, exercising tighter credit control as part of a government austerity programme, and which is owed $50m by the industry, suspended all further loans.

This followed production of 55,000 tonnes from the 1992 harvest, the lowest in 60 years, according to official figures. In order to make use of its opportunities on the EC and US markets the island has had to import sugar to meet domestic demand. Ironically, the collapse of the industry came after indications that was being put under new management by Booker Tate, a subsidiary of Booker, the UK food and farming group.

The company has become an important factor in the region's troubled sugar industry, and has been called in to help the industries in Guyana, Belize and St Kitts-Nevis, and to run two of Jamaica's nine mills. Trinidad and Tobago is the only producer in the Commonwealth Caribbean in which Booker Tate is not involved. In all cases the company contracted to give corporate management and technical services to sugar industries in the five countries. It provides engineers, technologists, agriculturalists, economists, marketing specialists and support staff.

Caribbean Sugar Production ('000 tonnes, raw value)

	1987-88	1989-90	1991-92
Barbados	81	69	57
Cuba	7,547	7,932	7,000
Dominican Rep.	758	632	670
French W. Indies	82	46	38
Guyana	178	135	238
Haiti	30	31	30
Jamaica	225	219	224
Trinidad	95	120	110

Source: E.D. and F. Man.

The industries in both Guyana and Jamaica have attracted financial assistance from multilateral institutions as a result of the management contracts given to Booker Tate, But assessments to the company's effectiveness differ in the two countries. Jamaican officials say the performance of the two mills managed by the company since 1985 has been "disappointing".

US markets were closed yesterday for the Thanksgiving Day holiday.

Yet the case of Guyana shows that the regional sugar industry is not beyond redemption. From output of 330,000 tonnes a year in the mid-1970s, Guyana's production, plagued by labour unrest and poor weather, slumped to 135,000 tonnes in 1990. The industry declared shortfalls on its European Community quota for three years, and shipped none of its quota to the US. Booker Tate's takeover of the management of the industry has been followed, however, by a decisive turnaround. Production is up this year and export quotas have been met.

In the Dominican Republic, the region's second largest producer after Cuba, the problems of financial viability have been compounded by a shortage of labour. Foreign criticism of the treatment of workers from neighbouring Haiti, and the subsequent expulsion of thousands of Haitian workers, has resulted in the state-owned producer suffering a painful drop in output. Production this year is 8 per cent less than the 326,000 tonnes of last year and sugar has had to be imported to meet domestic demand.

The outlook for the industry, like that of others in the region, has been depressed by the recent reduction in global imports by the US. The Caribbean's cumulative quota has been reduced by 11 per cent to 276,341 tonnes, causing an estimated $15m reduction in earnings. It is the second consecutive cut for the Caribbean holders of US quotas, which were allowed to supply 471,710 tonnes in 1991.

Sugar industry officials in the region say one area of uncertainty is Mexico's future access to the US market under the Nafta. They say Mexico's current and modest US quota of 7,500 tonnes a year can be increased 20-fold in seven years, at the expense of existing suppliers.

Cuba's troubled industry has received a fillip with a new trade agreement between the island and the Russian Republic. Cuba will receive 23m barrels of Russian oil a year for 2m tonnes of sugar – significantly less than the country had sold in past years to the former Soviet Union. But the island's economic problems have depressed output this year to just over 6.9m tonnes.

LONDON STOCK EXCHANGE

New closing peak for Footsie Index

By Terry Byland, UK Stock Market Editor

THE LONDON stock market celebrated the closure of Wall Street for Thanksgiving Day by gaining more than 32 points yesterday to reach a new closing peak of 2,741.8, less than three points under the trading peak also established in the middle of May this year.

The advance reflected the better news on the US economy reported this week as well as hopes that a settlement of the GATT dispute will be confirmed in spite of bitter resistance by French farmers. The absence of New York trading was also reflected in foreign exchange markets, although the impending hike in Irish interest rates to 100 per cent indicated the continuing uncertainties in this area.

The FT-SE Index opened nervously but was soon encouraged by firmness in stock index futures, where the absence of a recent US seller proved enough to push the December contract ahead. From mid-morning, the market moved forward steadily and the final reading on the FT-SE Index showed a net gain of 32.2 on the day. On May 11, the Footsie touched 2,744.5 before closing at 2,737.8.

Trading volume increased to 598.m shares yesterday, boosted by renewed buying of equities ahead of the closure today of the two-week trading account. The account has brought significant profits in share prices but traders noted that there was little inclination to take profits yesterday. On Wednesday, Seaq turnover of 522.1m shares was worth £1.13bn in terms of customer business.

Dealers suggested that yesterday's upswing in London was helped by the absence of Wall Street but also assumed that the New York market, which had gained 17.56 Dow points overnight, will return strongly from its one-day holiday closure.

The international blue chips moved up sharply, benefiting both from the absence of any US selling and also from hopes of transatlantic support when Wall Street gets back to work. The weak spot was ICI, still restrained by the bearish views on the prospective demerger plans which have been expressed by London brokerage houses over the past week. However, gains in oil shares on hints of progress at the Opec talks were not taken too seriously in the stock market against the backcloth of oil price uncertainty.

Leading store and retail sectors advanced in spite of doubts cast over hopes for further cuts in UK base rates by the rise in German money supply disclosed this week. The absence of any move in policy at yesterday's Bundesbank meeting was no surprise.

Traders sounded pleased with yesterday's advance in UK equities, the first genuine upturn of the week, but admitted that much will depend on whether the New York market opens higher today. On the domestic front, evidence of the economic recession is only too clear on every side.

One strategist at Kleinwort Benson, the UK merchant bank and securities house, pinpointed the UK unemployment levels as the the key factor for any recovery in the domestic economy.

Higher employment would help boost consumer confidence and also act as a favourable indicator for the industrial and commercial property sector, which is still weighed down by the overhang of office properties in London and other business centres.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	8	483	−15
ASDA Group	25,000	52½	+3
Abbey National	3,000	369	+5
Albert Fisher	1,600	65	+1
Allied-Lyons	2,300	643	−15
Amstrad	239	25	
Anglian Water	473	484	+9
Argos	141	273	+8
Argyll Group	2,900	373	+10
Arjo Wiggins	1,200	155	
Ass. Brit. Foods	1,100	434	−1
Ass. Brit. Ports	318	315	
BAA	794	768	+2
BAT Inds.	2,400	980	+16
BET	14,000	83	−4
BICC	735	271	−4
BOC	973	738	+14
BP	3,200	230	+2½
BPB Inds.	7,800	172	−18
BT	2,100	406½	+7½
BT New	9,400	301	+6
BTR	4,300	466	+4
Bank of Scotland	2,400	133	+½
Barclays	4,300	369	+6
Bass	2,400	588	+5
Berisford Int.	1,800	18	+1½
Blue Circle	2,600	170	+8
Booker	174	344	+6
Boots	2,100	504	+5
Bowater	597	432	+1
Brit. Aerospace	2,500	139	+6
British Airways	3,500	271	+3
British Gas	8,200	261½	+3½
British Land	620	190	−8
British Steel	11,000	53½	+4
Bunzl	705	103	+1
Burmah Castrol	620	643	+4
Burton	6,700	66	−1½
Cable & Wire.	1,900	675	+19
Cadbury Schweppes	1,600	445	+7
Calor Group	660	289	+1
Carlton Comms.	689	710	+3
Coats Viyella	1,490	204	+1
Comm. Union	498	608	+10
Cookson	2,600	186	−2
Courtaulds	666	536	+16
Dalgety	647	480	+2
De La Rue	118	826	+5
Dixons	1,600	230	+6
Eastern Elec.	259	404	−1
East Midland Elec.	392	412	−4
Eng China Clays	1,600	434	
Enterprise Oil	760	458	
Eurotunnel Units	1,000	398	+35
FKI	4,300	95½	+3½
Fisons	6,200	209	+10
Forte	1,800	173	+1
Gen. Accident	1,000	583	+5
General Elec.	3,400	285½	+3½
Glaxo	4,600	795	+9½
Glynwed Int.	238	220	+7
Granada	2,200	288	+16
Grand Met.	6,300	436	+10
GUS A	704	1595	+18
GRE	2,000	179½	+12½
GKN	1,600	392½	−6½
Guinness	1,700	584	+4
HSBC (75p shs)	6,100	514	−1
Hammerson 'A'	9,200	236	+1
Hanson	7,700	232¼	+1¼
Hanson Warrants	4,900	16¼	+½
Harrisons Crosfield	1,000	139	+1
Hillsdown	2,400	106	−1
IMI	307	237	+3
ICI	3,000	981	−13
Inchcape	813	494	+6
Kingfisher	2,800	573	+12
Kwik Save	1,700	749	
Ladbroke	5,000	191	+8
Land Securities	2,800	495	−2
Laporte	568	604	+11
Legal & General	461	419	+6
Lloyds Abbey	1,300	380	+1
Lloyds Bank	2,600	466	+4
LASMO	2,500	164	+3
London Elec.	1,600	461	−6
Lonrho	694	68	
Lucas	1,100	119	−1
MB Caradon	1,300	280	
MEPC	2,100	332	
Manweb	46	492	−7
Marks & Spencer	6,900	325	+3
Midlands Elec.	586	467	−6
NFC	197	277	+1
NatWest Bank	3,500	388	+7
National Power	5,000	270½	+1
Next	1,300	128½	−1
North West Water	1,800	464½	+2½
[illegible]	[illegible]	[illegible]	[illegible]
Rothmans	1,100	821	+11
Ryl Bk Scotland	4,100	187	−½
Royal Insurance	7,800	287	+6
Saatchi	329	142	−1
Sainsbury	1,600	509	+11
Scottish & New.	2,000	439	+18
Scot. Hydro-Elec.	686	230	−8
Scottish Power	1,100	278	−3
Sears	4,100	98	+1
Sedgwick	1,800	180	−1
Seeboard	39	447	−5
Severn Trent Water	1,800	482	+8
Shell Transport	3,100	546	+2
Siebe	976	372	+1
Slough Ests	42	141	+1
Smith (W.H.) A	627	490	+6
Smith & Nephew	2,100	167	−1½
SmKl Beecham	2,700	542	+4
SmKl Beecham Uts.	1,400	479	+5
Smiths Inds.	359	315	
Southern Elec.	369	424	−4
South Wales Elec.	22	607	−7
South West Water	1,100	468	+1
South West. Elec.	247	452	−2
[illegible]	[illegible]	[illegible]	[illegible]
Vodafone	1,800	395½	+1½
Warburg (SG)	373	473	−4
Wellcome	853	1032	+4
Welsh Water	145	508	+3
Wessex Water	91	573	+1
Whitbread 'A'	797	454	+4
Williams Hldgs.	495	309	+3
Willis Corroon	1,022	178	+4
Wimpey	239	165	
Wolseley	229	464	+5
Yorkshire Elec.	748	480	−5
Yorkshire Water	637	530	+4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 16	Nov 30	Dec 14
Option Declarations:		
Nov 26	Dec 10	Dec 30
Last Dealings:		
Nov 27	Dec 11	Dec 31
Account Day:		
Dec 7	Dec 21	Jan 11

*New time dealings may take place from 8.30am two business days earlier.

C & W in renewed demand

A RANGE of positive stories helped drive shares in Cable & Wireless (C & W), the telecoms group, to a 10-year high of 678p. They closed a fraction off the top, settling 19 firmer at 675p.

Among many stories in the market was a suggestion that Cazenove, the company's broker, had adopted a much more positive stance on the stock. C & W is currently making presentations to Scottish institutions and is also due to embark on a trip to the US next week to address US investment institutions. But suggestions that the group might be about to make a secondary issue of ADR's were treated with scepticism by telecoms specialists.

There were also rumours that Cable may be considering the sale of another substantial block of shares in HK Telecom in which it retains a near 60 per cent stake.

Other dealers said the shares had absorbed some sizeable selling pressure triggered by the recent strains between the Chinese and the UK Government over the handover of power.

Forte focus

Acquisition talk once again focused around Forte as the trade press suggested that the hotel group was considering bidding for the Sheraton international chain. However, the rumour was dismissed by industry observers as highly speculative, given Forte's debt position and its current attempts to sell the Gardner Merchant catering subsidiary.

There were also suggestions that the death of Sir Hugh Wontner, a main shareholder and president of the Savoy group, might revive Forte's bid to control the luxury hotel chain. Sir Hugh was the principal protagonist against the bitterly contested bid for the Savoy group by Forte which ended in 1989 with Forte controlling 42 per cent of Savoy and having boardroom representation. Significantly Forte agreed not to buy any more Savoy shares until 1994. Savoy shares jumped 40 to 485p yesterday while Forte was a penny firmer at 173p.

GKN under pressure

Shares in GKN came under pressure after several brokers downgraded profit expectations following cautious remarks from the company chairman regarding the near term trading outlook. His remarks came at a dinner for analysts in France on Wednesday evening.

The early damage appeared to have been wrought by Hoare Govett, now said to be predicting current year profits of £140m, and by Kleinwort Benson which reiterated its negative stance on the stock. At worst, the shares were down 9 at 390p but later recovered to end 6¼p lighter at 392½p. However, Mr John Goldschmidt at Charterhouse Tilney favoured the stock.

ICI shares were weak on reaction to a stock overhang and a sell recommendation from Baring Securities.

Baring argues that after the company's planned split the new chemicals and pharmaceuticals groups will each pay only 20p in dividend, reflecting a 27 per cent dividend cut and that shares in the two groups will have a combined value of 1025p. That is 75p higher than the figure suggested by recent Smith New Court analysis but Baring says the stock is vulnerable ahead of results in February and the shares should be sold down to 900p. ICI fell 13 to 981p.

Wellcome was weak in early trading falling to 1012p at one stage on profit-taking following strong rises over the past week. However, the shares recovered as the selling died and closed 4 better at 1032p.

Seton Healthcare dropped 11 to 281p after announcing a one-for-four rights issue at 240p a share to raise £13.1m. The company will use part of the cash to buy pharmaceutical group Cupal for £8.2m.

Both classes of BT shares, the fully-paid and partly-paid, staged a determined advance with some dealers taking the view that the shares will soon launch an attack on the all-time high of 421½p, reached last October.

Specialists said the market was reflecting perceptions that the proposed sale next year of some or all of the Government's remaining 21.9 per cent stake in the group, some 1.35bn shares, could be preceded by a build up of institutional demand for the stock. "There is the possibility that institutions may have their allocations of BT III shares linked to their existing holdings," said one analyst.

BT fully-paid closed 7½ higher at 406½p on turnover of 2.1m while the partly-paid ended 6 higher at 301p on 9.4m traded.

Critchley, the manufacturer of electrical cable accessories, made a successful market debut, climbing to 240p and closing at 237p, compared with the placing price of 220p.

Plasterboard manufacturer BPB shocked the market by chopping the interim dividend by a third. "All the the market bulls of the shares and most of the bears had been confidently expecting the company to hold the payment," said one dealer. The reduction in the payment was made all the worse by the company announcing interim profits up 14.5 per cent at £27.5m – at the very top of the range.

There was little respite for the shares despite a reasonably polished post-results meeting between the company and building analysts. Full-year profits estimates were being reigned in to the low to mid-£80m's with a consensus figure for next year of around £80m. The dividend total for this year is generally expected to be 7.5p. BPB closed 18 down at 172p.

Turnover in Cannon Street Investments leapt to 7.1m shares and the share price jumped by more than 40 per cent as selling pressure on the mini-conglomerate was taken up. The stock rose 2 to 6¾p but still a long way below its 80p level a year ago.

Results in line with expectations initially lifted shares in Northern Foods, although they later faded following the post-results meeting. Marking the shares a "dull hold", Mr Carl Short at Nomura said that worries had emerged over the stock's premium rating but sub-market earnings per share growth. The stock retreated 8 to 379p.

However, remarks by Northern's chairman over food price inflation were interpreted as good for food retailers. Argyll rose 10 to 373p, Sainsbury 11 to 509p and Tesco 9½ to 248p. Bumper turnover of 25m in Asda saw the shares edge 2¾ on optimism that the group may be admitted to the FT-SE 100 in the near future.

International drinks group Allied Lyons was hit by speculation that its broker Cazenove had unofficially downgraded the stock, although official confirmation was said to be held back until after the Allied's results next week. Cazenove refused to comment on the rumour. The shares tumbled 15 to 643p. Whisky distiller Macdonald Martin slid 70 to 400p after revealing a profits slump.

Big turnover and continued takeover speculation helped Queens Moat Houses climb 3 to 46p with 12m shares traded. The market remains convinced that the hotel group will announce a tie-up with the Bass's Holiday Inn operations.

Fresh buy notes on Thorn EMI from Hoare Govett and County NatWest helped the leisure conglomerate continue its post-results surge and gain 12 to 816p. Rank Organisation bounced back from recent weakness adding 19 at 625p.

Tentative optimism over US recovery helped stocks with North American exposure. Among them, Reuters Holdings lifted 13 to 1294p as it rebounded after weakness prompted by a convertible bond redemption announcement on Wednesday.

Among engineers, APV were in favour and the shares added 3 to 104p. Broker Albert E Sharp which was reported to have visited the company earlier this week is said to favour the stock. Talk that the company would soon make disposals also benefited the shares. Also in demand was British Steel in which some 9m shares were dealt. The shares firmed 4 to 53½p. Rolls-Royce continued to be a busy trade with volume reaching 7m as the shares eased ½ to 95½p.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 28.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (95).
AMERICANS (14) Amer. Express, BankAmerica, Beth. Steel, Bowater, Contl. Bank, Fluor, Ford Motor, Quaker Oats, Rep NY, Southwestern Bell, Sun Co., Time Warner, Varity, Woolworth, BANKS (2) Bank Ireland, Dai Ichi, BREWERS (1) Bulmer, BLDG MATLS (1) Wolseley, BUSINESS SERVS (2) Chubb Sec., Hays, CHEMS (2) BOC, Halstead, CONGLOMERATES (1) Amer A, CONTG & CONSTRCN (1) NSM, ELECTRICALS (2) Nokia Pf., Toshiba, ELECTRONICS (2) Micro Focus, Mieys, ENG GEN (2) FKI, VSEL Consrtm., FOOD MANUF (1) Goodman Fielder Wattie, FOOD RETAILING (3) ASDA, [illegible], Park Food, HEALTH & HSEHOLD (3) AAH, Amersham, HOTELS & LEIS (1) [illegible] Pf., INSCE COMPOSITE (5) Amer. Gen., Aon, Comm. Union, GRE, Sun Alliance, INSCE LIFE (1) Prudential, INV TRUSTS (22) Amer. Tst., Drayton Blue Chip Zero Pf., Drayton Recovery Pfd. Growth, Eng. & Scot., Fleming Amer., Do. Ln. 1999, Fleming Far Eastern, Foreign & Col. Ent., Foreign & Col. High Inc., GT Venture, Do. Warrants, Gartmore Scot. Zero Div. Pf., Govett Amer. Smaller Co's., Hong Kong Warrants, Law Debenture, Murray Ent., Murray Intl., New Zealand, Scot. Value, Second Alliance, US Smaller Co's., Do. Warrants, MEDIA (2) Independent, Sterling Pub., Ltd. News., MOTORS (1) First Tech., OIL & GAS (1) Pict. Petm., OTHER FINCL (3) Caledonia, Invesco MIM 5pc 1995-2000, Perpetual, PACKG, PAPER & PRINTG (1) Eneo Gutzeit, PROP (1) Waterglade, STORES (2) Boots, Oriflame, TELE NETWORKS (3) Brit. Telecom, Do. P/P, Cable & Wire., TEXTS (2) Leeds, Toray, TRANSPORT (3) Cons. Freightways, Powell Duffryn, Tibbett & Britten, MINES (3) Ayer Hitam, Gopeng Berhad, Resolute Res.
NEW LOWS (32).
BRITISH FUNDS (1) Treas. 8pc 2009 A, CANADIANS (2) Echo Bay Mines, Nth. Amer. Tire Recycling, BREWERS (2) Macdonald Martin A, Matthew Clark, BLDG MATLS (4) Hewetson, Needler, Raeous, Russell (A), BUSINESS SERVS (1) BET, CHEMS (1) ICI, CONTG & CONSTRCN (1) Green (E) & Part., ELECTRICALS (1) Chloride, ELECTRONICS (2) CAL, [illegible]

FINANCIAL TIMES EQUITY INDICES

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	Year ago	High	Low
Ordinary share	2056.0	2033.1	2040.1	2034.3	2035.9	1840.1	2149.7	1670.0
Ord. div. yield	4.52	4.56	4.53	4.54	4.53	5.04	5.34	4.24
Earning yld % full	6.18	6.31	6.28	6.34	6.33	7.49	-	-
P/E ratio net	20.89	20.20	20.29	20.10	20.13	16.77	20.94	15.79
P/E ratio nil	19.05	18.65	18.72	18.56	18.59	15.90	-	-
Gold Mines	66.7	64.4	63.0	63.3	64.3	171.4	160.6	63.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2035.9	2042.1	2041.9	2052.5	2054.9	2056.9	2055.0	2055.4	2055.3	2057.9	2035.7

Volume	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	Year ago
SEAQ Bargains	26,987	23,876	24,334	27,253	26,527	23,237
Equity Turnover(£m)†	-	1136.1	1218.0	855.2	1030.0	979.5
Equity bargains†	-	28,879	32,379	28,285	30,470	22,165
Shares traded (ml)†	-	487.8	522.1	517.7	386.8	440.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

A BIG mid-morning buy order from a leading house sent Footsie futures sharply forward to trade at the higher levels, although turnover remained dull, writes Joel Kibazo.

Trading in the December contract on the FT-SE opened strongly at 2,728, some 4 points above Wednesday's close and moved to trade in a range of 2,730 and 2,740 for the first part of the trading session.

It was however the large buy order from a leading house which sent December powering ahead, moving from 2,731 to 2,755 within a short period. But for an occasional flurry which saw the contract touch the day's high of 2,762 twice, December traded in a tight range of 2,750 to 2,758 for the rest of the day.

A notable feature was the absence of some US houses in the market due to Thanksgiving Day in the US.

December closed at 2,763, up 39 points on the previous close and around 17 points above its estimated fair value premium to cash of around 9. Turnover was however once again low reaching only 5,672 contracts.

Traded options were dull with volume falling to 25,536 contracts. The FT-SE 100 option was more active than in the last two sessions and saw its turnover reach 7,284 lots. Asda was the most actively dealt stock option. It traded 4,543 contracts, with the January 30 calls attracting nearly half of that total.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2741.8 +32.2	2618.6 +7.5	1297.56 +12.21

	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2741.8	2709.6	2727.1	2722.9	2732.4	2420.2	2741.8	2281.0	2741.8 26/11/92	986.9 23/7/84
FT-SE Mid 250	2618.6	2611.1	2619.0	2624.2	2623.4	2388.6	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1323.5	1310.3	1317.9	1318.8	1320.4	1176.6	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2710.7	2717.3	2718.1	2731.4	2734.2	2736.8	2735.4	2736.0	2737.5	2741.8	2710.4
FT-SE Mid 250	2608.9	2610.5	2613.2	2618.9	2619.5	2619.5	2618.1	2617.2	2618.0	2620.6	2608.9
FT-SE-A 350	1310.5	1313.2	1313.8	1319.5	1320.7	1321.7	1321.0	1321.1	1321.6	1323.5	1310.4

Gross dividend yield (ACT at 25%) FT-SE 100:4.41 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 26 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Nov 25 Index No.	Tue Nov 24 Index No.	Mon Nov 23 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	776.35	+0.4	7.38	5.33	17.90	29.69	772.97	774.06	776.34	755.41
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Engineering-Aerospace (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Engineering-General (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrials (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (192)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging, Paper & Printing (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (482)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (82)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (651)	1297.56	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health&H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	28⅞xd	-⅞	21	14⅞	17,188	1.9
Allegheny & W	♥	417p	—	484p	226p	218.7	4.5
Amdahl		518p	-8	1168p	455p	601.7	1.2
Amer Cyanamid		37⅞	+⅜	37⅞	28⅞	3,385	2.8
Amer Express		15¼xd	+⅛	15¼	10⅞	7,278	4.2
Amer T & T		31⅞xd	+¼	31½	20⅛	41,842	2.7
Ameritech		44½	-⅛	44⅞	32½	19,483	5.0
BankAmerica		28⅞xd	+1⅛	28⅞	19⅛	10,185	2.8
Bankers NY		42⅜xd	-⅛	44	28⅞	3,431	4.1
Bell Atlantic		31½	—	31½	23⅛	13,890	5.2
BellSouth		32⅞	—	34⅛	25	15,827	5.4
Bethlehem Steel	♥	10⅛xd	+½	10⅛	6⅞	815.9	—
Bowater		1604pxd	+65	1604p	905p	581.2	4.7
CPC	h	25⅞xd	-2¼	33	22½	4,477	2.8
Cadiz Land Inc	♥	120p	—	342p	108p	—	—
California Engy		874p	—	919p	591p	177.3	—
Chase Manhattan		17⅞xd	+¼	17⅞	9⅛	2,631	4.3
Chrysler		19¼xd	+¼	19⅞	6⅞	5,592	2.0
Citicorp		12¼xd	+⅛	12⅛	5⅞	4,455	—
Colgate-Palm		39½xd	-3¼	49⅛	25¼	6,277	2.0
Cont'l Bank		1270p	+37	1279p	499p	1,280	3.0
Dana		27⅝xd	—	28⅞	14⅞	1,280	3.6
Data General		721p	—	1004p	384p	199.4	—
Decora Inds	♥	146p	—	148p	60p	—	—
Dun & Brad		37⅞	+⅛	38⅛	27⅝	6,735	3.8
Eaton		48	+¼	48¼	32½	1,657	2.9
Echlin		13⅛xd	+⅛	13½	7⅞	789.2	3.3
FPL		22⅞xd	-⅛	23¼	17⅞	4,140	6.8
Fluor		30xd	+⅛	30	19⅞	2,433	0.8
Ford Motor		28⅞xd	+⅞	28⅞	15	13,182	2.3
Gen Elect		64⅞xd	-⅛	64⅞	36⅞	48,388	2.8
General Host	♥	557p	—	605p	380p	—	4.0
Gillette		38⅞xd	—	40	23⅞	8,482	1.2
Hasbro		22⅞	—	22⅞	12⅞	1,988	0.6
Honeywell		44⅛xd	+⅛	44⅛	32	3,695	2.5
Houston Inds		28⅞	—	29½	22	3,772	6.5
IBM		42⅞xd	+⅞	64½	39⅞	24,488	7.1
Ingersoll-Rand		20⅞xd	+⅞	21	12⅞	2,113	2.2
Lockheed		32⅞	+⅛	32⅞	22⅛	2,017	4.1
Lowe's	h	1425p	—	1425p	815½p	1,039	1.2
Merrill Lynch		38⅛xd	-⅛	38⅞	24⅞	4,020	1.9
Morgan (JP)		40⅞xd	+⅞	42½	38⅞	7,782	3.4
Morris (Philip)		52xd	-⅞	52¼	37⅞	47,882	2.1
NYNEX		54⅛	+⅛	54⅞	39⅝	11,114	5.4

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

Bristol Channel	4⅛	-⅛	9½	3½	3.39	—	—
Bromsgrove	67	-1	123⅞	67	46.4	8.0	7.7
Brooke Tool	8	—	15	3	2.99	‡	—
Bullough	87	—	174	87	104.3	9.3	8.5
Carclo	169	—	168	130	60.8	6.5	13.6
Claybithe	37	—	53	33	6.18	9.0	—
9½pc Cv 2000-1	£85½	—	£74½	£62½	5.24	14.5	—
Clayton	88	—	149	80	1.75	5.0	—
Clyde Blowers	385	—	383	221	3.65	2.8	♦
Concentric	309	+7	363	252	97.6	4.2	♦
Dickie (J)	38xd	—	38	16	2.17	3.8	♦
Dobson Park	66	—	88	43	67.9	13.7	8.7
Dyson (J & J)	92	—	104	90	1.92	7.2	[illegible]
A	87	—	88	54	[illegible]	[illegible]	[illegible]
EIS	387xd	—	416	[illegible]	[illegible]	[illegible]	[illegible]
Eadie	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elliott (B)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا اصه الأصل

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INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv.	♣	181½	+2½	183	147	3.5	212.9	14.7
Warrants		32½	+½	38	21	—	—	—
Scot Mortgage	♣†	174	+½	176	135	3.8	202.9	14.2
Scot National Inc	♣	77xd	+½	107	65¾	15.3	—	—
Cap		18	—	42	12½	—	33.0	45.5
Stepped Pf		152½	—	155½	128	8.3	—	—
Zero Div Pf		202½	-½	209	168½	—	—	—
Warrants		6	—	9	3	—	—	—
Scot Value	fz	66½	+½	66½	48	3.5	68.4	2.8
Sec Alliance	♣	1348	+13	1348	1028	3.6	1515.5	11.4
Second Market	s	252	—	255	222	0.6	297.3	15.4
Sec Tst Scot	♣	72	+½	76½	61	4.9	77.4	7.0
Select Assets		107	—	108	78½	1.1	158.0	31.4
Eq Ind Ser I		125	+1	125	108	4.5	—	—
Eq Ind Ser II		125	+1	125	108	4.5	—	—
SHIRESCOT		99	—	99	98	—	101.2	2.2
Shires	♣	224½	+8	249	188	10.7	218.9	-7.1
11pc Cv Ln '03/04		£117½	+½	£118½	£95½	9.4	—	—
Siam Select		89	—	103	88	0.3	122.5	25.6
Warrants		18	—	21	10	—	—	—
Smaller Cos		66	—	85	66	6.1	78.4	18.2
Warrants		18	—	28	10	—	—	—
Somerset Tst		102	+7	148	55	—	66.4	-41.4
Sphere Inc	N	12½	—	28	9½	98.1	23.6	47.2
Zero Div Pf		77½	+½	77½	63¼	—	—	—
Sovall		35	—	68	30	4.8	93.3	62.5
TR City of Lon		119½	+½	127½	97½	5.2	118.9	0.5
TR Euro Growth	♣	75	—	90	70	2.4	98.8	24.8
Ptg Sub		33	—	64	33	6.5	—	—
TR Far East Inc	♣	112xd	—	116	76	5.4	122.1	8.2
Warrants		20½	—	22	12	—	—	—
TR High Inc		110	—	171	91	7.3	105.2	-4.1

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

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SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

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FT MANAGED FUNDS SERVICE

■ Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Gartver American	[illegible]	150.0	152.4xd	160.5	+0.50	0.00
AIB Grofund Equity	5	192.5	195.2	206.5	+1.00	2.01
AIB Grofund Euro	5	141.9	144.0	151.6	+1.20	0.82
AIB Grofund Eq Income	[illegible]	96.00	97.66	100.7	+0.40	0.00
AIB Grofund Gilt	[illegible]	74.86	74.86	77.19	-0.20	5.56
AIB Grofund Japan	5	123.7	125.1xd	131.6	+0.20	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Brown Shipley & Co Ltd (1000)F

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Int'l Bond & Conv	5	117.00	117.20xd	123.40	+0.10	6.16
Pooled Pension ‡	3½	£137.4	141.8	146.7	....	–
Smaller Cos	5	50.42	52.29xd	55.04	+0.04	2.46
UK General	5	110.50	112.10	118.00	-0.20	2.78
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	359.88	359.88	381.47	+1.94	5.41
Global Inc	5	50.98	50.98	54.04	+0.12	4.50
Brit Leaders	5	303.73	303.73	321.95	+2.17	3.18
Intl Leaders	5	164.53	164.53	174.40	+0.62	1.08
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3005						
European Trust	6	46.09	46.29xd	49.19	+0.18	1.61
Far Eastern Tst	6	52.19	52.68	56.05	....	0.87
Smaller Cos	5	110.1	115.0	122.3	....	3.05
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS. 071-637 5377						
S & W American ‡	5	265.9	266.4	281.9	+0.3	0.92
S & W Capital	5	106.0	106.0	113.5	-0.3	1.91
S & W Cash ‡	0	101.27	101.27	101.27	+0.01	7.02
S & W European	5	103.0	103.2	109.1	+0.4	1.31
S & W Far Eastern	5	110.2	111.1	117.5	-0.1	0.03
S & W Growth	5	113.0	114.2xd	120.8	....	1.46
S & W Income	5	98.91	100.2	106.0	-0.6	5.44
S & W Magnum	5	112.6	112.6	120.7	-0.4	1.84
S & W Smllr Secs	5	248.0	253.4xd	268.1	-0.7	0.65
S & W Throgmorton	5	129.9	129.9xd	139.3	-0.4	1.82
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing—12 Noon Historic						
American Gwth	5¼	75.38	75.38	80.62	+1.14	0
Eur Sp Sits Acc	5¼	40.56	40.56	43.23	+0.47	0
Eur Sp Sits Inc	5¼	38.31	38.31xd	40.83	+0.45	0
Far East Opps Inc	5¼	26.50	26.50	28.58	-0.22	0
Far East Opps Acc	5¼	27.16	27.16	29.29	-0.22	0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	87.54	87.54xd	89.98	-0.38	0.00
Short Dtd Gilt	1¼	106.5	106.5	107.9	-0.40	1.93
Gilt Income	4	51.21	51.21	53.28	-0.12	8.68
Gilt Growth	4	63.01	63.01	65.59	-0.14	0.00
City Reserve	0	55.17	55.17	55.18	+0.01	7.88
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	60.19	60.40	64.25	+0.57	2.57

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmt Nov 18	646.8	669.6	....	1.04
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	50.12	51.91	+0.34	4.8
Income Plus	48.40	49.35	-0.21	7.5
James Capel Fund Managers Ltd				
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Oct 31	544.70	548.30	....	5.40
Fxd Int Sec Oct 31	151.40	152.10	....	9.55
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	175.0	177.0	-0.30	9.27

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd.	618.4	657.9	+0.8	-
Adventurous Mngd	148.9	158.5	+0.5	-
Cautious Mngd	119.2	126.9	+0.1	-
Cash Fd	313.9	330.8	----	-
Property Fund	217.5	231.4	----	-
Equity Fund	712.5	758.0	+2.2	-
Fxd. Int. Fund	392.6	413.8	+0.3	-
International	320.6	341.1	+1.1	-
High Income	534.3	568.5	+0.2	-
Far East	425.0	452.2	+3.4	-
North American	420.4	447.3	+1.7	-
Special Sits.	491.0	522.4	+0.3	-
Technology	418.5	445.3	+1.6	-
Extra Inc Fd	293.8	312.6	+0.1	-
Convertible & Gilt Fd	141.0	150.1	-0.1	-
American Income	168.0	178.8	+0.7	-
Gilt Fund 20	435.2	463.0	-0.5	-
European Fund	112.6	119.8	+0.4	-
Pref & Fixed Int	106.7	113.6	-0.1	-
UK Blue Chip	108.8	115.8	+0.7	-
Recovery Fund	105.5	108.1	+0.2	-
Equity Income Dist.	99.4	105.8	+0.2	5.01
Managed Dist.	95.0	101.1	+0.1	3.31
High Yield Dist.	99.2	104.6	-0.1	7.74
Pension Funds				
Balncd Gth Mngd Pens Acc.	714.1	751.7	+0.7	-
Adventurous Mngd Pens Acc.	155.1	163.3	+0.6	-
Cautious Mngd Pens Acc.	137.1	144.4	+0.2	-
Building Soc. Acc.	361.0	380.1	----	-
Property Pens. Acc.	295.3	310.9	----	-
Fix. Int. Pens. Acc.	619.3	651.9	+0.5	-
Equity Pens. Acc.	903.6	951.2	+1.7	-
International Pens Acc	295.0	310.6	+0.9	-
High Inc Pens Acc	600.1	631.7	----	-
Tech Pens Acc	296.1	311.7	+0.8	-
N American Pens Acc	316.3	333.0	+1.8	-
Far Eastern Pens Acc	418.5	440.6	+4.0	-
Special Sits Pens Acc.	402.4	423.6	-0.6	-
Extra Income Pens Fd	354.9	373.6	+0.4	-
Convertible & Gilt Pen	172.7	181.8	+1.1	-
American Inc Pens	192.3	202.5	-0.2	-
European Pens	124.9	131.5	+0.5	-
Managed Cash Pens.	170.0	179.0	----	-
Pref & Fixed Pens	124.7	131.3	----	-
UK Blue Chip	117.0	123.2	+0.2	-
Recovery Fund	107.0	113.5	+0.1	-
Indxlnkd With Profits Pen	106.6	112.3	----	-
Other Funds				
Margett Growth	115.7	121.8	-0.9	-

	Bid Price	Offer Price	+ or -	Yield Gross
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent 0892 510033				
Deposit Acc Fd	166.8	175.6	----	-
Equity Acc Fd	380.7	400.7	+0.3	-
Managed Acc Fd	335.7	353.4	----	-
Prop Fd (1st issue)	-	994.5	----	-
Prop Acc Fd (2nd Iss).	121.3	127.7	----	-
Unit Trust Mn. Fd	153.1	161.2	----	-
RL Pension Funds				
Deposit Acc	241.7	254.4	+0.1	-
Equity Acc	278.7	293.3	+0.3	-
Fixed Int Acc	243.1	255.9	----	-
Gilt Indx Lnk Acc	185.3	195.1	----	-
Managed Acc	368.6	388.1	----	-
J Rothschild Assurance PLC				
J Rothschild House, Dollar Street, Cirencester				
Telephone: 0285 640302 Helpline: 041 307 6500				
Life Funds				
JRA/M&G Managed	108.2	113.9	----	-
JRA/Cmth Amicable Mngd	102.8	108.3	-0.30	-
JRA/St James's Place Mngd	110.7	116.6	+0.10	-
Deposit	99.20	104.5	----	-
Far East	114.6	120.7	-0.10	-
Gilts	104.2	109.7	----	-
Greater European	106.4	112.1	+0.50	-
North American	124.7	131.3	+0.20	-
UK Equity	106.4	112.0	-0.40	-
Pension Funds				
JRA/M&G Managed cap.	105.8	111.4	+0.10	-
JRA/M&G Managed acc.	108.9	114.7	+0.10	-
JRA/Cmth Amicable Mngd cap	99.30	104.6	-0.50	-
JRA/Cmth Amicable Mngd acc	102.4	107.8	-0.40	-
JRA/St James's Pl Mngd cap	112.7	118.7	-0.10	-
JRA/St James's Pl Mngd acc	116.0	122.2	-0.10	-
Deposit cap	99.50	104.8	-0.10	-
Deposit acc	102.6	108.0	----	-
Far East cap	111.5	117.4	-0.20	-
Far East acc	114.8	120.9	-0.10	-
Gilts cap	102.2	107.6	-0.10	-
Gilts acc	105.2	110.8	-0.10	-
Greater European cap	106.1	111.7	+0.60	-
Greater European acc	109.2	115.0	+0.70	-
North American cap	129.9	136.8	+1.20	-
North American acc	133.7	140.8	+1.20	-
UK Equity cap	102.8	108.3	-0.50	-
UK Equity acc	105.9	111.5	-0.50	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

GUERNSEY (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

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FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Gwth	£20 42	21 51	----	-
Intl $US Gwth	$17 61	18 55	----	-
High Income Gilt	£26 04	26 99	----	-
International Equity	£20 83	21 95	----	-
International Bond	£22 55	23 38	----	-
Managed Currency	£27 75	28 04	----	-
Sterling Currency	£26 38	26 66	-	-
US$ Currency	$37.72	38 11	----	-
Irish £ Currency	I£15.07	15 23	----	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.05	11.52	----	-
R F Offshore Inc Fd Ltd	£11.55	12.15	----	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd.	£9 13	9 82	----	-
Nelson M'Ross W/W S/S	£9 24	9.89	----	-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port.	£2 478	2.602	+0 022	1.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.89	9 94	-0 03	9.46
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 26	$13.02	13.29	+0.04	3.01
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53 7	56 0	+0.01	7.96
UK Equity Fd (z)	213.5	227 0	+0.02	2.82
Intl Bond Fd	99 9	103 0	-0.01	7.09
*Sterling Mngd Asset Fd.	539.6	568.0	+0 07	5 00
*Sub day every Thurs.				
NatWest TrustCorp Currency Fund (z)				
Dollar Class		$38.0743	+0.0082	-
Sterling Class		£26.8557	+0 0148	-
D-Mark Class		DM83.2571	+0.0559	-
Dutch Guilder Class		Dfl82 7355	+0 0483	-
Japanese Yen Class		Y7950 4885	+4.8319	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica Pfolio Ltd £	11 13	11.58	----	-
Ashburton Replica Pfolio Ltd $	$10.21	10 60	----	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 26	$34.15	36.32	----	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd.	$3 6312	3.8589	----	-
Offshore Japanese Gwth Fd	$0.8929	0 9489	----	-
Offshore Am Gwth Fd	$6.3335	6.7307	----	-
Offshore Emerging Co.	$3 5463	3 7687	----	-
Offshore European Fd.	$1.4358	1.5259	----	-
Offshore Far Estrn Fd.	$2.2060	2.3444	----	-
Offshore UK Growth Fd.	$1.7239	1.8320	----	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 20		54.24	----	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.42	14.64	----	2.49
LFM Defensive Stratgy	£11 25	11 86	----	-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£- 22 0056	21 0186	----	-
Managed Global Bd	5		£- 21 0531	21 0822	----	-
AIB Gearhead Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.9203	----	-
Sterling Currency Fd	5		£-	10 5206	----	-
Ecu Currency	5		Ecu-	10 7317	----	-
US Dollar Mngd Curr.	5		$-	21 4322	----	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0 868	0.872	0.933	[illegible]	1.0
Global Income (Inc)	5¼	£0 505	0.511	0.547	[illegible]	2.4
Global Resources	5¼	£0.399	0 403	0.431	[illegible]	0 6

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

No move from the Bundesbank

THE D-MARK reversed a rise in the dollar in European trading yesterday after the Bundesbank did not change its officially posted interest rates at the fortnightly council meeting, *writes James Blitz.*

Trading was thin yesterday because of the absence of US markets on the annual Thanksgiving Day holiday. However, there were residual signs of tension inside the European Exchange Rate Mechanism.

The Irish authorities signalled that the punt's overnight rate will be pushed up to 100 per cent on Monday to try and stave off a devaluation. This did nothing to help the currency, which remained at the bottom of its band against the Belgian franc, one of the strongest currencies in the system.

Dealers in Lisbon said the Bank of Portugal was buying escudos at Es89.85 to the D-Mark. However, the French franc gained support after the country's finance minister stated that he would maintain the current value of its currency within the ERM. The franc closed virtually unchanged, at FFr3.387 to the D-Mark.

The dollar rose to a high of DM1.5985 against the D-Mark in what dealers saw as a delayed reaction to Wednesday's quarterly gross domestic product figures in the US. This showed a rise of 3.9 per cent against previous estimates of 2.7 per cent. The dollar later closed nearly half a pfennig higher at DM1.5970.

Mr Gerard Lyons of DKB International in London says the ERM still needs a more credible realignment. "We are in for further instability and the softer currencies are vulnerable," he says. The punt remains a strong candidate for devaluation despite the Irish authorities' latest moves. Other analysts say that new disagreements on the Gatt negotiations or the EC budget would undermine the entente between Germany and France, sparking new currency tensions.

However, dealers think that the recent pressure on the French franc is unlikely to resurface before the New Year. This is partly because traders are reluctant to keep open positions in the run-up to the year-end. Interest rate markets are already assuming no easing in German policy at the next council meeting on December 10.

Another factor easing tensions is the potential dollar upside that could follow the imminent announcement of the economics posts in the new US administration.

Miss Alison Cottrell, an economist at Greenwell Montagu in London, believes that the Bundesbank will only ease policy on December 10 if there is strong ERM pressure to do so.

She believes the only other motive for the German central bank to cut rates would be concerted progress by the government in striking a solidarity pact with the opposition parties and unions. This would have to be matched by clear success in restraining the current wage round in Germany.

£ IN NEW YORK

Nov 25	Close	Previous Close
£ Spot	1.5265-1.5275	1.5250 1.5260
1 month	0.55-0.53pm	0.54 0.52pm
3 months	1.26-1.24pm	1.26 1.23pm
12 months	3.65-3.55pm	3.65 3.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Floating rate. Iran Official rate £99 65 566.35

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	176.255	-3.26	5.14	56
Spanish Peseta	143.396	141.629	-1.23	2.97	21
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Nov 26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.
£	1	1.522	2.430	189.0	8.230	2.183	2.730
$	0.657	1	1.597	124.2	5.407	1.434	1.794
DM	0.412	0.626	1	77.78	3.387	0.898	1.123
YEN	5.291	8.053	12.86	1000.	43.54	11.55	14.44
F Fr.	1.215	1.849	2.953	229.6	10.	2.652	3.317
S Fr.	0.458	0.697	1.113	86.58	3.770	1	1.251
N Fl.	0.366	0.558	0.890	69.23	3.015	0.800	1
Lira	0.474	0.721	1.152	89.57	3.900	1.035	1.294
C$	0.513	0.781	1.247	96.97	4.223	1.120	1.401
B Fr.	2.002	3.047	4.866	378.4	16.48	4.370	5.465
Pta	0.573	0.872	1.392	108.2	4.714	1.250	1.564
Ecu	0.808	1.230	1.964	152.8	6.653	1.765	2.207

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

CHICAGO

LONDON (LIFFE)

PARIS

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Euromark futures fall

SHORT-DATED Euromark futures lost several basis points yesterday after the Bundesbank failed to change officially posted rates at its fortnightly council meeting, *writes James Blitz.*

The Bundesbank's decision not to ease policy was widely expected in both foreign exchange and interest rate markets. But several dealers said yesterday that there will be more intense speculation about a cut in German interest rates in the run-up to the next meeting in a fortnight's time.

At the moment, the market is assuming that there will be a cut in German rates, but that it will come in the New Year.

The December Euromark contract fell back 12 basis points from its opening level, to a close of 91.22 yesterday. At this level, the contract assumes that 3-month money will be only 9 basis points lower by the middle of next month, effectively ruling out a change in German rates in 1992.

That view was compounded yesterday by a poor inflation figure in the German state of Bavaria, showing the at the cost of living had risen by 0.6 per cent in the month to mid-November for a year-on-year rise of 4.0 per cent.

The Bundesbank has made it clear that domestic inflationary pressures are still of great concern and yesterday's figure will add to pressures not to ease policy.

Futures dealers continue to assume that there will be a significant cut at the start of 1993 although prospects for this have dampened a little too. The March Euromark contract fell 19 basis points from its opening level yesterday to a close of 92.24. At this level, it still assumes that there will be more than 100 basis points off 3-month money by the spring.

In the rest of Europe, markets were very quiet in the wake of the turbulence of Monday and Tuesday. the exception was Ireland, where the central bank said that the overnight rate will be hiked to 100 per cent on Monday to ward off speculation against the Irish punt.

By contrast, the December French franc futures were virtually unchanged at 89.99, pricing in no change in 3-month money before the end of the year. The franc was mostly stable on the foreign exchanges, and the Bank of France drained a net FFr7.9bn of funds, leaving its intervention rate at 9.10 per cent.

There was little change in sterling cash rates, with 3-month money closing at around 7¼ per cent. The Bank of England forecast a shortage of £1.55bn, most of which was removed in the afternoon.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

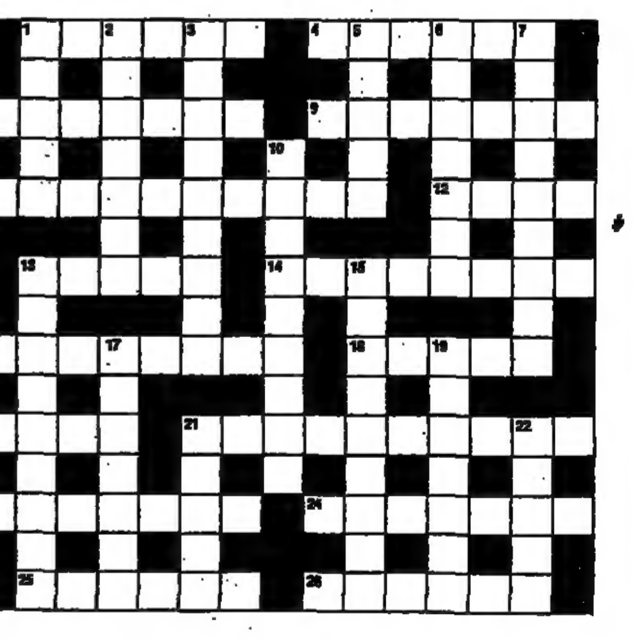
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,014 Set by ADAMANT



ACROSS

1 Hit the pole with a lorry (6)
4 Foolish dispute lost England its turn (6)
8 The ghost creeps round the centre of the chateau (7)
9 Hard on the old boy's return to town (7)
11 Curious men partial to diet (10)
12 Register for a student to follow (4)
13 Bowl for the bachelor when at home (5)
14 Spectacles of AD? Also BC if prescribed (8)
16 I object to your being in a way to get the stone (8)
18 Early risers have great fun (6)
20 Return from work (4)
21 Sending away for absinthe, monsieur, around noon (10)
23 It's not a strange place (7)
24 A lot of criticism for the dam (7)
25 Takes the best of the lower range of products (6)
26 Fresh division about the common market (6)

DOWN

1 Colour is good in the main (5)
2 Remembers the lines and cares about them (7)
3 Is New York cattier, maybe? Sure thing! (9)
5 Look for customer to take river fish (5)
6 As a matter of fact it is not poetical (7)
7 Without an Italian ingredient, outside lodgings are poison (9)
10 Set broken pieces into the edge of the pavement (9)
13 Inflated boast of putting doctor inside in charge (9)
15 All the notes are of the original size (4-5)
17 Room for operating in a dramatic way (7)
19 Oversea in France, sore troubled, show contrition (7)
21 Second grade accommodation can be cleaner (5)
22 Nigeria, extremely hot and dark (5)

Solution to Puzzle No.8,013

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SEASCAPE SMOOTH
U R A R   A B I
BAREFOOT DIESEL
T A A M   N E A
LANDRAIL USURER
E T D N C T V I
     MEDICAMENT
C S F N S Y R Y
RHINOSCOPE
A X O E O S V T
COPITA KNITWEAR
K E W   T U R A
PUNTER WINNINGS
O C A   N T A H
THEORY WEASELLY
```

هكذا اصل الأصل

MARKET FUNDS

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NETHERLANDS (continued) [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

3 pm November 26

Quotations in cents unless marked $

[illegible]

MONTREAL

3 pm November 26

[illegible]

INDICES

NEW YORK

DOW JONES [illegible]

STANDARD AND POOR'S [illegible]

NEW YORK ACTIVE STOCKS [illegible]

TRADING ACTIVITY [illegible]

CANADA

TORONTO [illegible]

TOKYO - Most Active Stocks

Thursday, November 26, 1992

[illegible]

CROSSWORD

EUROPE

Interest rate hopes stay alive

THE lack of movement from the German Bundesbank on key interest rates yesterday prompted some analysts and strategists to look for a cut at the next council meeting on December 10, the last one this year, *writes Our Markets Staff*.

PARIS ended higher on hopes of an early round of interest rate cuts led by the Bundesbank, in spite of its decision to do nothing yesterday. Dealers said that the market also believed if the Bundesbank failed to cut rates, the resulting pressure on the franc would lead to a devaluation and consequently lower domestic rates.

The CAC-40 index ended 18.71 higher at 1,739.68, its third successive rise, but turnover was thin at FFr1.74bn.

Pleasing third-quarter US growth figures, which raised hopes of a speedier recovery in the US economy, lifted stocks with transatlantic exposure. Pechiney CIs put on FFr12 or 4.8 per cent to FFr260 and Lafarge added FFr6.50 FFr305.80.

Hopes that Opec would agree *to keep oil output at less than* 25m barrels per day lifted oil stocks, as Elf added FFr9.10 to FFr330.90 and Total put on FFr2.50 to FFr234.50.

MADRID registered a sizeable rise for the first time in a week, the general index closing 2.83 higher at 214.77. In a firm banking sector Banesto, relatively weak recently, rose Pta115 or 5.8 per cent to Pta2,090 on takeover rumours.

Mr Stephen Hughes of Nikko Europe said that the latest macro-economic figures from Spain have been better than expected, indicating a light at the end of the tunnel and tempting foreign investors to return to the market. Furthermore, the peseta was holding fairly firm after the weekend devaluation.

FRANKFURT mounted a minor technical recovery and responded to some better-than-expected company news. The DAX index closed 5.46 higher at 1,523.18 as turnover rose from DM4.5bn to DM6.1bn.

Some demand came from futures trading, where the December DAX contract touched a high of 1,543 before dropping back to trade at 1,535 in the early afternoon. Company news came most noticeably from Thyssen, BHF Bank and Asko.

Thyssen net profits fall to DM350m and the dividend from DM10 to DM6, but this was generally better than analysts had feared. Mr Michael Geiger at County NatWest said that he had been looking for DM220m and DM5 respectively as the shares rose DM3.10 to DM158.

BHF Bank outperformed the banking sector, putting on DM4 to DM408 after it reported a 20.5 per cent increase in group partial operating profits for the first ten months of 1992.

In retailing, Asko rose DM33 to DM533 after the German cartel office approved a planned merger of the company with the Metro retail group, provided that the two divested *themselves of some stores*. This reversed an earlier decision blocking the merger.

STOCKHOLM paused again, the Affärsvärlden General index closing 3.5 lower at 862.5 after a 2.9 per cent gain on Wednesday. The decline was led by the blue chips which spearheaded the recent rally, and turnover stayed heavy although it fell from SKr1.37bn to SKr1.12bn.

Banks continued to outperform as the sector index put on 12.9 per cent. Handelsbanken B rose SKr4.5 to SKr34.5 and S-E-Banken by SKr2 to SKr17. The krona devaluation is expected to lead to lower loan losses and an upswing in real estate values.

OSLO extended its upswing on speculation that Norway may be forced to devalue, but this time the all-share index ended only 2.63 higher at 357.25 in active turnover of NKr342m. Industrial shares, which would benefit from devaluation, were in the forefront again with Norsk Hydro NKr3 higher at NKr142.5.

MILAN ended lower in slow trading and the Comit index fell 4.17 to 442.63 in turnover estimated at slightly more than Wednesday's relatively low L181bn.

Shares in the Ferruzzi group were in the limelight following newspaper reports of management reshuffles and asset disposals. Montedison was fixed L5 lower at L1,151, but then surged to L1,200 later on.

Fondiaria, the insurer in which Ferruzzi has an interest, rose L750 or 2.8 per cent to L27,900. Ferruzzi Finanziaria added L71 to L1,253 in volume of 3.79m shares, the third most heavily dealt screen stock.

The state-controlled food *group SME rose another L87 to* L5,620.

AMSTERDAM saw Nedlloyd lose Fl 1.50 to Fl 29.60 as the company warned that it would once again announce a net loss at the end of the year but that it would not be as severe as last year's.

The CBS Tendency index rose 0.6 to 103.2 in thin trading.

ISTANBUL jumped by 2.7 per cent on active buying, triggered by renewed hopes that a long-awaited tax decree designed to encourage institutional investment in equities would be agreed. The 75-share index closed 97.91 higher at 3,749.76.

FT-SE Actuaries Share Indices

November 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1047.30	1048.94	1049.23	1049.07	1048.67	1049.50	1048.96	1046.05
FT-SE Eurotrack 200	1114.90	1115.01	1116.49	1118.99	1118.76	1118.21	1118.51	1118.56

	Nov 25	Nov 24	Nov 23	Nov 20	Nov 19
FT-SE Eurotrack 100	1042.55	1038.83	1038.38	1051.29	1047.93
FT-SE Eurotrack 200	1111.41	1110.69	1110.18	1117.40	1110.76

Base value 1000 (26/10/90) High/day: 100 - 1050.53; 200 - 1119.13 Low/day: 100 - 1047.16 200 - 1113.85

WALL STREET was closed for Thanksgiving. Toronto stocks held on to early gains in quiet midday trading, bolstered by a partial recovery in the Canadian dollar and a drop in rates. The TSE-300 Index rose 10.5 to 3,271 in volume of 13.9m shares valued at C$109m. Advances led declines by 200 to 155 with 265 unchanged. The nickel miner, Inco, climbed in tandem with strength in Toronto's metal sector, edging up C$⅛ to C$27½.

Argentina tipped to top 1993

By Antonia Sharpe

ARGENTINA offers the best return in dollar terms to equity investors in Latin America next year, while Brazil and Peru are the wild cards in the pack, according to Mr Audley Twiston Davies, managing director of Latin American Securities.

He told a group of investors yesterday that Argentine equities are now looking oversold, after a volatile year in which they rose by 45 per cent before falling back to show a loss of 38 per cent by mid-November. *Assigning Argentina an asset* allocation of 20 per cent, the second-largest after Mexico with 35 per cent, he forecast that its stock market would rise by 60 per cent in 1993.

Describing Mexico as the core holding in any Latin American portfolio, he expected that market to rise by 40 per cent next year.

Brazil and Peru were more difficult to predict following the political upheavals this year, he said, and their gains could be anywhere between zero to 100 per cent.

Venezuela was given the smallest asset allocation, of just 2 per cent, due to uncertainty ahead of the country's elections. Mr Twiston Davies noted that other countries in the region were mid-term in their political cycle and that by the end of next year, forthcoming elections would have an increasing influence on their stock markets.

SOUTH AFRICA

STRONG offshore demand, mainly from London and Switzerland, sent gold shares higher and the gold index closed 14 up at 812, off a peak of 814.

The industrial index added 38 to 4,094 and the all-share index climbed 24 to 3,097.

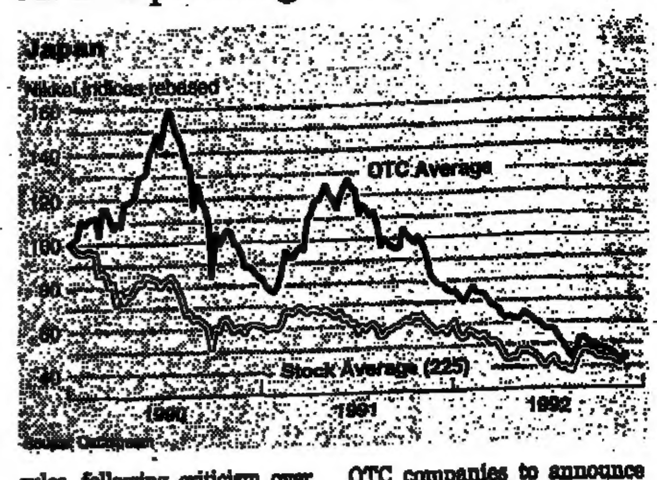
Among gold shares, Deelkraal edged up 15 cents to R2.70, Harties added 10 cents to R8.20, Dries by 75 cents to R31.75 while Western Deep climbed 50 cents to R50.50.

Anglos bounced off midday lows to close R75 cents higher at R84.25.

Series of sad stories from Japanese OTC

Emiko Terazono on a depressing two-year trend

High risk, high return has been the sales pitch for the Japanese over-the-counter market (OTC), but investors have seen more risk than return recently with the OTC index 72.5 per cent off its peak in 1990.



Most companies listed on the OTC market have fallen victim to the downturn in the economy, the two-year slide in the stock market and the bursting of the real estate bubble of the late 1980s. This, compounded with inadequate disclosure at many *OTC companies, has* driven investors away.

A downward revision of forecasts by leading OTC companies such as THK, the ball bearings maker, and Jafco, the venture capital company, seem to sum up the woes of smaller companies. THK, which originally forecast a 36 per cent rise in annual pre-tax profits, now expects earnings to plunge by 89 per cent. Jafco also initially saw a profit increase, but has revised projections to a fall of one-fifth at pre-tax level.

Smaller companies, which rely on a "niche" market, lack the breadth of business and are more vulnerable to an economic downturn. *Last year's* failure of Maruko, an Osaka-based condominium developer specialising in one-room apartments, symbolised the troubles at OTC companies.

Maruko, the first company listed on the OTC to become bankrupt, expanded aggressively in the late 1980s. However, when interest rates started to rise and demand for its one-room condominiums fell, the consequent liquidity crunch forced the company to file for court protection with liabilities of Y285.8bn ($2.3bn).

Royal Construction, a contractor of golf resorts and condominiums, followed Maruko. The company filed for court protection last July with outstanding debts of Y19bn.

Disclosure problems of companies have also heightened the risks of investing on the OTC market. The Japan Securities Dealers Association (JSDA) recently admitted that it needed tighter disclosure rules, following criticism over the bankruptcy of Ipec, an operator of educational institutes and supplier of educational material, and a false data claim attributed to TSD, a computer software company.

In October, the failure of Ipec highlighted slack disclosure measures at smaller companies. According to the company lawyer, liabilities at Ipec totalled Y18.6bn, with some Y8.7bn in off-balance sheet borrowings. While Ipec may be an isolated case, allegations that the company did not make *itsoff-balance sheet liabilities* clear at the time of listing discouraged OTC investors.

Investors were also shocked by an announcement by TSD, earlier this month, that it had presented investors with false information concerning clinical tests of its HIV vaccine. The JSDA announced last week that it would produce a guideline for information disclosure by the end of the year.

Mr Yoshiro Nao, senior managing director of Ichiyoshi Securities, a broker specialising in OTC companies, points out that small companies often lack the auditing systems within the organisation to check irregular practices.

OTC companies do not feel the pressure to disclose more information and rarely face scrutiny from the media, or from analysts. The press club at the Tokyo Stock Exchange once rejected the *Japan Securities* Dealers Association's request for a forum for the OTC companies to announce their results.

The surprises have not all been unpleasant. Mr Kenzo Tsujimoto, president of Capcom, a video game equipment and software maker, apologised to investors after revising up the company's profit forecast for the second time since the beginning of the fiscal year in April. The company said that it had not foreseen the surge in demand for its new video game software, and now projects annual sales to March to rise 72 per cent, and pre-tax profits to double.

Seikagaku, a pharmaceutical company specialising in geriatric drugs, was another of the few companies which saw a steady rise in interim profits. The company is expected to post double digit increases in both profit and sales thanks to "Alz", an arthritis cure.

But with the OTC index failing to respond to the recent rise of the Nikkei average, the few positive earnings forecasts have been ignored. Traders admit that the OTC market will remain a risky and speculative market for some time to come.

The JSDA requires retail investors to sign an agreement acknowledging the risks before placing orders on the OTC market. And Nomura Securities, the industry leader, says its that sales staff are guided *not to allow inexperienced* individual investors to participate in OTC trading.

ASIA PACIFIC

Nikkei drives on as Australia rests

Tokyo

BUYING by public funds and dealers on the first day of trading for December settlement boistered activity, and the Nikkei average rose for the sixth consecutive day, its longest winning streak since February last year, *writes Emiko Terazono in Tokyo*.

The Nikkei advanced 177.03 to 17,479.04. It fell to the day's low of 17,226.98 in the morning on uncertainty over the parliamentary testimony by Mr Noboru Takeshita, a former prime minister. However, active buying by public funds in the afternoon prompted trading by dealers and arbitrageurs, and the index rose to the day's high of 17,601.91.

Volume rose to 310m shares from 213m. Advances outnum*bered declines by 736 to* 261, with 146 issues remaining unchanged. The Topix index of all first section stocks rose 8.92 to 1,303.06 and in London, the ISE/Nikkei 50 index fell 3.42 to 1,049.80.

In spite of active trading by domestic investors, traders said foreigners were absent. "Foreign investors don't know what to do since they think the market's too expensive, but they realise that the officials want to push prices up," said Mr Jason James, strategist at James Capel.

Traders were relieved that little fresh news emerged from Mr Takeshita's sworn testimony before parliament concerning alleged gangster links and involvement with the Sagawa Kyubin bribery scandal. But caution prevailed due to an announcement by Nomura Securities that it would repay holders of its asset-backed bonds because it had not explained the full risks of the product.

Brokerage issues remained weak. But selling was limited since Nomura said it would not alter its earnings estimates as a result of the sale of assets to offset the Y23bn repayment losses. Nomura fell Y20 to Y1,400 while Yamaichi Securities lost Y5 to Y545.

High-technology issues rose on purchases by public funds. Hitachi advanced Y23 to Y726 and NEC gained Y33 to Y683.

Shipbuilders were steady, with Mitsubishi Heavy Industries advancing Y1 to Y535 and Kawasaki Heavy Industries Y2 to Y376.

Banks were mixed as dealers *adjusted their positions ahead* of earnings announcements due after the market's close. Industrial Bank of Japan fell Y20 to Y2,400 but Sumitomo Bank gained Y20 to Y1,770.

In Osaka, the OSE average gained 251.93 to 18,733.39 in of 27.8m shares. Pharmaceuticals and electronics rose on short-term buying by dealers.

Roundup

AUSTRALIA took a breather after its recent rally, and there were more rises than falls elsewhere in the region.

NEW ZEALAND carried on where Australia left off. The NZSE-40 index ended 25.57 or 1.7 per cent higher at 1,525.21 for a cumulative gain of 5.4 per cent over the last four days.

All of the rise in the index was achieved in the first 15 minutes of trading. Turnover fell from NZ$55.7m to NZ$41.6m, but Wednesday's total had been boosted by some big block sales.

The forestry and resources conglomerate, Fletcher Challenge, rose 11 cents to NZ$1.99 for a 25 cent gain over the last four days. Improving sentiment for FLC was based partly on a better long-term outlook for its key exports.

Air New Zealand closed down 6 cents at NZ$2.42 on rumours of changes to the board of directors.

SINGAPORE was encouraged by the 3.9 per cent growth in US GDP and institutional funds began buying more aggressively.

The Straits Times Industrial index closed 17.20 or 1.2 per *cent higher at 1,436.99, while* volume moved up from 129m to 177m shares. Brokers said there was still retail speculation in Malaysian OTC stocks, and this was helping the volume figure to move up.

BANGKOK and SEOUL both staged technical rebounds. The SET index of Thai stocks climbed 10.91 to 858.24 as turnover remained thin at Bt3.7bn, compared with Bt3.4bn on Wednesday. The Korea composite index rose 8.47 to 660.94 in volume up from 34.4m shares to 44.3m.

The recovery in Bangkok was led by small- and medium-sized banks, Siam City Bank leading the most active stocks as it rose Bt1 to Bt15.

Seoul brokers detected an effort by institutional investors to pull up the market. But securities houses and large manufacturing shares, which have a decisive impact on the index due to their heavy weighting, fell victim to selling late in the session.

AUSTRALIA closed weaker for the first time in eight trading days. The All-Ordinaries index closed 8.3 lower at 1,450.9 after a rally which has taken the index up by 6.8 per cent since November 16.

Volume was inflated by Westpac to 121.4m shares worth A$256.2m. After the close the media magnate Mr Kerry Packer said he had an 8.27 per cent stake in the bank.

MANILA extended its setback to a ninth consecutive trading day with the composite index down 17.49 or 1.4 per cent to 1268.69, down 6.2 per cent since November 13.

HONG KONG eased slightly in thin trading, as modest early gains were erased by an afternoon bout of profit-taking. The Hang Seng index ended 5.36 lower at 5,913.18 following a 54-point loss on Wednesday. Turnover shrank to HK$1.61bn from HK$2.45bn.

HSBC Holdings, parent of Hongkong & Shanghai Banking, led the way down with a fall of 50 cents to HK$59. The bank is continuing to suffer from comments by its chairman, Mr William Purves, who said in an interview earlier this week that analysts might have overestimated the group's 1992 earnings.

BOMBAY's BSE index dropped 69.45 to 2,487.11 on widespread liquidation on the last day of the account.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 25 1992								TUESDAY NOVEMBER 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	117.24	+1.1	114.02	91.82	97.16	113.34	+0.5	4.28	115.95	113.21	90.98	96.51	112.79	163.68	108.18	152.71
Austria (19)	139.24	+0.4	135.41	109.05	115.39	115.23	+0.1	2.45	138.74	135.46	108.84	115.46	115.13	186.70	136.51	168.55
Belgium (42)	136.20	+1.0	132.46	106.66	112.87	109.67	+0.0	5.62	134.89	131.70	105.81	112.28	109.61	152.27	134.41	133.04
Canada (113)	112.43	+0.5	109.34	88.05	93.17	104.45	+0.1	3.25	111.84	109.20	87.73	93.09	104.31	142.12	111.38	136.64
Denmark (34)	186.75	+2.8	181.61	146.26	154.76	156.33	+1.3	1.75	181.70	177.41	142.54	151.24	154.33	273.94	181.70	254.28
Finland (15)	70.90	+5.6	68.95	55.53	58.75	75.66	+4.7	1.87	67.17	65.58	52.69	55.91	72.24	89.80	52.64	77.43
France (99)	141.40	+0.7	137.52	110.74	117.17	119.78	-0.2	3.78	140.46	137.14	110.18	116.90	119.97	168.75	130.93	140.21
Germany (64)	104.17	+0.8	101.31	81.60	86.33	86.33	+0.4	2.66	103.31	100.87	81.06	85.99	85.99	129.69	102.51	111.86
Hong Kong (53)	240.53	-0.7	233.92	188.38	199.34	238.88	-0.8	3.76	242.33	236.60	190.09	201.71	240.71	262.28	176.38	172.44
Ireland (16)	134.38	+4.9	130.66	105.23	111.34	114.81	+3.9	4.77	128.02	124.99	100.43	106.56	110.50	173.71	122.96	157.46
Italy (77)	57.28	+0.7	55.71	44.86	47.47	59.01	+0.0	3.52	56.87	55.52	44.61	47.33	59.01	80.88	47.47	72.37
Japan (472)	104.87	+1.2	101.99	82.13	86.92	82.13	+1.1	1.03	103.59	101.14	81.26	86.23	81.26	140.96	87.27	132.84
Malaysia (69)	274.96	-0.5	267.40	215.34	227.88	267.44	-0.5	2.47	276.28	269.75	216.72	229.96	268.78	282.42	212.49	205.28
Mexico (18)	1578.98	+0.6	1533.63	1235.08	1306.87	5370.84	+0.5	1.12	1567.72	1530.65	1229.81	1304.90	5344.45	1789.77	1185.84	1313.29
Netherland (25)	149.89	+0.7	145.77	117.39	124.22	122.59	+0.2	4.64	148.61	145.29	116.74	123.87	122.36	169.70	147.88	143.64
New Zealand (13)	41.41	+2.7	40.28	32.44	34.32	42.56	+2.3	5.35	40.34	39.39	31.65	33.58	41.58	48.52	37.39	49.04
Norway (22)	140.05	+5.3	136.20	109.69	116.06	122.18	+3.0	1.98	132.98	129.84	104.32	110.69	118.68	192.95	128.05	170.66
Singapore (38)	195.48	+0.5	190.10	153.10	161.99	147.01	+0.3	2.24	194.53	189.93	152.60	161.91	146.52	229.63	179.65	207.19
South Africa (60)	135.19	+0.7	131.47	105.88	112.03	148.45	+1.0	3.46	134.21	131.03	105.28	111.70	147.04	263.60	134.21	269.35
Spain (46)	115.53	+1.9	112.35	90.48	95.74	100.17	+0.9	6.00	113.32	110.64	88.90	94.32	99.24	161.72	107.10	145.78
Sweden (31)	167.40	+2.7	162.80	131.11	138.73	166.16	+2.2	2.38	163.05	159.19	127.91	135.72	162.56	200.28	149.69	165.33
Switzerland (60)	103.83	+0.5	100.96	81.33	86.06	92.09	+0.1	2.32	103.32	100.88	81.06	86.01	91.99	122.37	95.99	94.89
United Kingdom (227)	164.24	-0.2	159.73	128.62	136.10	159.73	-0.6	4.60	164.58	160.69	129.09	136.96	160.69	200.07	161.86	173.24
USA (522)	175.46	+0.4	170.63	137.42	145.41	175.46	+0.4	2.90	174.83	170.69	137.15	145.53	174.83	175.46	160.92	153.25
Europe (779)	131.95	+0.5	128.33	103.35	109.36	119.13	-0.1	3.95	131.31	128.20	103.01	109.30	119.19	166.68	131.31	138.80
Nordic (102)	149.71	+2.9	145.59	117.25	124.07	134.31	+2.1	2.16	145.42	141.98	114.07	121.04	131.61	186.52	141.24	173.54
Pacific Basin (713)	109.70	+1.1	106.69	85.92	90.91	87.71	+0.9	1.38	108.52	105.95	85.13	90.33	86.92	141.97	93.70	134.28
Euro-Pacific (1492)	118.70	+0.8	115.44	92.96	98.36	100.39	+0.5	2.54	117.74	114.95	92.35	97.99	99.91	145.21	113.80	136.41
North America (635)	171.55	+0.4	166.84	134.37	142.19	170.64	+0.3	2.91	170.93	166.89	134.10	142.30	170.05	171.55	158.70	152.14
Europe Ex. UK (552)	112.44	+1.0	109.35	88.08	93.20	97.05	+0.3	3.48	111.33	108.70	87.35	92.69	96.71	132.98	111.33	118.09
Pacific Ex. Japan (241)	157.13	+0.1	152.81	123.08	130.23	144.62	-0.1	3.67	156.95	153.24	123.14	130.65	144.80	175.31	149.00	148.47
World Ex US (1683)	119.56	+0.8	116.28	93.65	99.09	102.33	+0.5	2.56	118.61	115.80	93.05	98.73	101.85	146.91	115.99	138.58
World Ex UK (1978)	134.93	+0.7	131.22	105.68	111.83	121.32	+0.5	2.49	133.98	130.81	105.11	111.53	120.67	150.58	127.21	139.55
World Ex. So. Af. (2145)	137.62	+0.6	133.83	107.79	114.05	124.48	+0.4	2.70	136.78	133.54	107.31	113.86	123.98	153.05	130.04	141.83
World Ex. Japan (1733)	156.00	+0.4	151.71	122.19	129.30	149.53	+0.2	3.29	155.38	151.70	121.90	129.35	149.23	165.40	151.93	148.98
The World Index (2205)	137.48	+0.6	133.70	107.68	113.94	124.74	+0.4	2.70	136.64	133.41	107.19	113.74	124.22	153.70	130.66	142.49

Amendments to indices for November 25 applied to Mexico and related regional indices. Latest prices were unavailable for this edition.